

Select Committee on Pension Policy

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September 16, 2003

1 - 3:30 PM

Senate Hearing Room 4, Olympia

AGENDA

- 1:00 PM **(1) Election of Chair and Vice Chair**
- 1:15 PM **(2) Adoption of Rules of Procedure**
 - Matt Smith, State Actuary
- 2:00 PM **(3) Post-retirement Employment Report**
(Chapter 10, Laws of 2001, 2nd Special Session)
 - Bob Baker, Senior Research Analyst
 - Matt Smith, State Actuary
- 2:30 PM **(4) PERS Public Safety**
 - Background and Issues, Bob Baker
 - PERS Public Safety Subcommittee
- 3:00 PM **(5) Part-time Educational Staff Associates**
 - Bob Baker
- 3:15 PM **(6) Next Meeting Date; Regular Meeting Schedule**
- 3:30 PM **(7) Adjourn**

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DRAFT MINUTES August 19, 2003

The Select Committee on Pension Policy met in Senate Hearing Room 4, Olympia, Washington, on August 19, 2003.

Committee members attending:

Representative Alexander	Robert Keller
Elaine M. Banks	Corky Mattingly
Senator Carlson	Doug Miller
John Charles	Representative Pflug
Representative Conway	Diane Rae
Richard Ford	Senator Regala
Representative Fromhold	J. Pat Thompson
Leland A. Goeke	Senator Winsley

Senator Carlson, JCPP Chair, called the meeting to order at 9:20 AM.

(1) Introduction of Members and Staff

Senator Carlson asked the Committee members to introduce themselves and Matt Smith, State Actuary, introduced the Office of the State Actuary staff.

(2) Adoption of the Day's Agenda

Members approved the agenda as drafted.

(3) Role of the SCPP

(A) Review of Chapter 295, Laws of 2003 (SHB 1204)

Robert Baker, Senior Research Analyst, reviewed the handout entitled, "Review of Ch. 295, Laws of 03."

Representative Conway moved that Senator Carlson chair the Select Committee until a chair is elected. Seconded.

MOTION CARRIED

(B) Open Public Meetings Act

Jean Wilkinson, Assistant Attorney General, explained how the Open Public Meetings Act pertains to the Select Committee on Pension Policy.

(C) Ethics Law

Jean Wilkinson, Assistant Attorney General, presented an overview of the Ethics Law.

(4) Adoption of Rules of Procedure

Matt Smith, State Actuary, reviewed the handout entitled, "Select Committee on Pension Policy Rules of Procedure."

Members discussed the designation of alternates to attend the Executive Committee meetings if an Executive Committee member is unable to attend. They also discussed whether to allow the Director of DRS and the Director of OFM to designate an alternate from their agencies if the Director is unable to attend the Full or Executive meetings.

Members decided to postpone action on the Rules of Procedure until the September meeting.

Break - 10:45 AM to 11:00AM.

(5) Session Update

Bob Baker, Senior Research Analyst, reported on the handout entitled, "2003 Session Update."

(6) Possible Interim Issues

(A) Issues Suggested to JCPP

Bob Baker, Senior Research Analyst, reviewed the handout entitled, "Issues Suggested to JCPP."

(B) Issues Suggested by Others

Handout from Association of Washington School Principals and the Washington State School Retirees Association.

(7) Meeting Schedule

Members decided that the next SCPP meeting would be September 16, 2003 at 1:00 PM. Further meeting dates and times will be discussed at the September 16th meeting.

(8) Election of Officers
Chair, Vice Chair, Executive Committee Members

Caucus break - 11:30AM to 12:10 PM - Members met in groups to discuss the election of officers.

Members decided to defer voting on chair and vice chair until the September meeting.

Executive Committee Members:

J. Pat Thompson was nominated to the Executive Committee representing active employees. Seconded.

MOTION CARRIED

Leland A. Goeke was nominated to the Executive Committee representing employers. Seconded.

MOTION CARRIED

John Charles was nominated to the Executive Committee representing the Department of Retirement Systems. Seconded.

MOTION CARRIED

Meeting adjourned at 12:20 PM.

Select Committee on Pension Policy

Proposed Rules of Procedure and Executive Committee Recommendations

RULE 1. Membership. The Committee shall consist of 20 members: two from each caucus of the legislature, four active members or representatives of active members of the state retirement systems, two retired members or representatives of retired members of the state retirement systems, four employer representatives, and the Directors of the Department of Retirement Systems and the Office of Financial Management.

Full Committee Discussion: The Directors of the Department of Retirement Systems and the Office of Financial Management may appoint alternates from their respective agencies for membership on the SCPP.

Executive Committee Recommendation: Adopt Rule 1 as drafted.

(Ch. 295, L of 03, Sec 1)

“(a) Four members of the senate appointed by the president of the senate, two of whom are members of the majority party and two of whom are members of the minority party. At least three of the appointees shall be members of the senate ways and means committee;

(b) Four members of the house of representatives appointed by the speaker, two of whom are members of the majority party and two of whom are members of the minority party. At least three of the appointees shall be members of the house of representatives appropriations committee;

(c) Four active members or representatives from organizations of active members of the state retirement systems appointed by the governor for staggered three-year terms, with no more than two appointees representing any one employee retirement system;

(d) Two retired members or representatives of retired members' organizations of the state retirement systems appointed by the governor for staggered three-year terms, with no two members from the same system;

(e) Four employer representatives of members of the state retirement systems appointed by the governor for staggered three-year terms; and

(f) The directors of the department of retirement systems and office of financial management.

“(2)(a) The term of office of each member of the house of representatives or senate serving on the committee runs from the close of the session in which he or she is appointed until the close of the next regular session held in an odd-numbered year. If a successor is not appointed during a session, the member's term continues until the member is reappointed or a successor is appointed. The term of office for a committee member who is a member of the house of representatives or the senate who does not continue as a member of the senate or house of representatives ceases upon the convening of the next session of the legislature during the odd-numbered year following the member's appointment, or upon the member's resignation, whichever is earlier. All vacancies of positions held by members of the legislature must be filled from the same political party and from the same house as the member whose seat was vacated.

(b) Following the terms of members and representatives appointed under subsection (1)(d) of this section, the retiree positions shall be rotated to ensure that each system has an opportunity to have a retiree representative on the committee.”

JCPP Rule 1. Membership. The committee shall be composed of 16 members, 4 from each major caucus of the legislature. Appointments are for a biennium beginning at the close of the session in which the member is appointed and ending at the close of the next regular session held in an odd-numbered year or until a successor is appointed.

RULE 2. Meetings. The Select Committee on Pension Policy (SCPP) may meet once each month during the Legislative Interim, or at such other times when called by the Chair or Executive Committee.

Executive Committee Recommendation: ~~Meetings. The Select Committee on Pension Policy (SCPP) may meet once each month during the Legislative Interim, or at such other times when called by the Chair or Executive Committee.~~ The Select Committee on Pension Policy (SCPP) will typically meet once each month during the Legislative Interim. Additional meetings may be called by the Chair of the SCPP or Executive Committee as deemed necessary.

“Establishing Subcommittees” is moved to Rule 7, SCPP Chair, Vice Chair, Executive Committee, and Subcommittees.

How will subcommittees be established, etc.?

Statute states three subcommittees may be formed:

Public Safety (5 members) 1 Senate, 1 House, 1 Active, 1 Retiree, 1 Employer; Education (5 members) 1 Senate, 1 House, 1 Active, 1 Retiree, 1 Employer; State and Local Government (9 members) 1 Retiree, 2 Senate, 2 House, 2 Active, 2 Employer

(Ch. 295, L of 03, Sec 2)

“(1) The select committee on pension policy may form three function- specific subcommittees, as set forth under subsection (2) of this section, from the members under section 1(1) (a) through (e) of this act, as follows:

“(a) A public safety subcommittee with one member from each group under section 1(1) (a) through (e) of this act;

(Ch. 295, L of 03, Sec 2)

(b) An education subcommittee with one member from each group under section 1(1) (a) through (e) of this act; and

(c) A state and local government subcommittee, with one retiree member under section 1(1)(d) of this act and two members from each group under section 1(1) (a) through (c) and (e) of this act. The retiree members may serve on more than one subcommittee to ensure representation on each subcommittee.

“(2)(a) The public safety subcommittee shall focus on pension issues affecting public safety employees who are members of the law enforcement officers' and fire fighters' and Washington state patrol retirement systems.

(b) The education subcommittee shall focus on pension issues affecting educational employees who are members of the public employees', teachers', and school employees' retirement systems.

(c) The state and local government subcommittee shall focus on pension issues affecting state and local government employees who are members of the public employees' retirement system.”

JCPP Rule 2. Meetings. The Joint Committee on Pension Policy (JCPP) may meet once each month during the Legislative Interim, or at such other times when called by the chair or by the executive committee. The date, time, and place shall be set by the chair or executive committee. A good faith effort will be made to put notices of meetings in the printed monthly legislative meeting schedule and in the schedule available on the internet during the interim. A minimum of seven days' notice of any meeting shall be given.

RULE 3. Rules of Order. All meetings of the SCPP, its Executive Committee, or any subcommittee created by the SCPP shall be governed by Reed's Parliamentary Rules, except as specified by applicable law or these Rules of Procedure.

Executive Committee Recommendation: Adopt Rule 3 as drafted.

JCPP Rule 3. Rules of Order. All meetings of the JCPP, its executive committee, or any subcommittee created by the JCPP, shall be governed by Reed's Parliamentary Rules, except as specified by applicable law or these Rules of Procedure.

RULE 4. Quorum. A majority of the 20 committee members shall constitute a quorum (11 members).

Executive Committee Recommendation: A majority of the 20 committee members shall constitute a quorum of the Full Committee (11 members). A majority of the members appointed to a subcommittee shall constitute a quorum of the subcommittee.

JCPP Rule 4. Quorum. A majority of the members shall constitute a quorum.

RULE 5. Voting. A majority of the 20 committee members must vote in the affirmative for an official action of the Committee to be valid (11 members), a majority of those committee members present must vote in the affirmative on procedural matters (at least 6 members), unless provided otherwise in statute or these Rules of Procedure.

Executive Committee Recommendation: A majority of the 20 committee members must vote in the affirmative for an official action of the ~~Committee~~ SCPP to be valid (11 members); a majority of those committee members present must vote in the affirmative on procedural matters (at least 6 members), unless provided otherwise in statute or these Rules of Procedure. A majority of the members appointed to a subcommittee must vote in the affirmative for an official action of a subcommittee to be valid; a majority of those subcommittee members present must vote in the affirmative on procedural matters, unless provided otherwise in statute or these Rules of Procedure.

JCPP Rule 5. Voting. A majority of committee members must vote in the affirmative for an action of the committee to be valid, unless provided otherwise in statute or these Rules of Procedure.

RULE 6. Minutes. Minutes summarizing the proceedings of each SCPP meeting and subcommittee shall be kept. These minutes will include member attendance, official actions taken at each meeting, and persons testifying.

Executive Committee Recommendation: Adopt Rule 6 as drafted.

JCPP Rule 6. Minutes. Minutes summarizing the proceedings of each JCPP meeting shall be kept. These minutes will include member attendance, any official actions taken at each meeting, and persons testifying.

RULE 7. SCPP Chair, Vice Chair, and Executive Committee.

An Executive Committee shall be established and shall include five members. Reorganization elections shall take place at the first meeting of the year as follows: First the Chair shall be elected and then the Vice Chair shall be elected. The Chair shall be a member of the Senate in even-numbered years and a member of the House of Representatives in odd-numbered years.

Two members of the Executive Committee shall then be elected, one member representing active members and one member representing employers. In addition, the Director of the Department of Retirement Systems and the Director of the Office of Financial Management shall alternate membership on the Executive Committee.

Executive Committee Recommendation:

Rule 7. SCPP Chair, Vice Chair, and Executive Committee and Subcommittees.

An Executive Committee shall be established and shall include five members. Reorganization elections shall take place at the first meeting of the year as follows: First the Chair shall be elected and then the Vice Chair shall be elected. The Chair shall be a member of the Senate in even-numbered years and a member of the House of Representatives in odd-numbered years. The Vice Chair shall be a member of the House in even-numbered years and a member of the Senate in odd-numbered years.

Two members of the Executive Committee shall then be elected, one member representing active members and one member representing employers. In addition, the Director of the Department of Retirement Systems and the Director of the Office of Financial Management shall alternate membership on the Executive Committee. The Director of the Department of Retirement Systems will serve on the Executive Committee in odd-numbered years; the Director of the Office of Financial Management in even-numbered years.

Executive Committee members may designate an alternate to attend Executive Committee meetings in the event they cannot attend. Alternates shall be members of the SCPP who represent the same member group as the elected Executive Committee member.

Two options for the creation of Subcommittees are presented for consideration by the Executive Committee:

Option 1: Subcommittees of the SCPP may be formed upon recommendation of the Executive Committee. The creation of the subcommittee and appointment of members shall be voted on by the full SCPP.

Option 2: Subcommittees of the SCPP may be formed and members appointed by the Chair of the SCPP.

- *Will Chair and Vice Chair be members of the majority party? Historic practice of the JCPP was that the Chair and Vice Chair were nominated by the majority party, but could be from either party.*
- *Which Director serves on the Executive Committee first?*

(Ch. 295, L of 03, Sec 1)

“(3) The committee shall elect a chairperson and a vice-chairperson. The chairperson shall be a member of the senate in even-numbered years and a member of the house of representatives in odd-numbered years and the vice-chairperson shall be a member of the house of representatives in even-numbered years and a member of the senate in odd-numbered years.

(4) The committee shall establish an executive committee of five members, including the chairperson, the vice-chairperson, one member from subsection (1)(c) of this section, one member from subsection (1)(e) of this section, and one member from subsection (1)(f) of this section, with the directors of the department of retirement systems and the office of financial management serving in alternate years.”

JCPP Rule 7. JCPP Executive Committee. The JCPP shall reorganize promptly after the biennial appointment of members under Chapter 44.44 RCW.

An executive committee shall be established and shall include four members elected by the JCPP representing the four major caucuses. Reorganization elections shall take place as follows: First, a chair shall be elected and then a vice-chair shall be elected. The chair shall be a member of the Senate in even-numbered years and a member of the House of Representatives in odd-numbered years. The chair and vice-chair shall be from opposite chambers. The remaining two members of the executive committee shall then be elected from the two caucuses not represented by the chair or the vice-chair. Following the election of the four members of the executive committee, an alternate shall be elected from each of the four major caucuses to serve on the executive committee in the event of the absence of the executive committee member from the same caucus.

In the event that membership in the House of Representatives is evenly split between caucuses in an odd-numbered year, the Committee shall elect a co-chair from each of the two major caucuses of the House. In the event that membership in the House of Representatives is evenly split between caucuses in an even-numbered year, the Committee shall elect co-vice-chairs from each of the two major caucuses in the House. In the event that co-chairs or co-vice-chairs serve on the executive committee, no additional executive committee member from the House of Representatives shall be elected so that the total membership of the executive committee remains at four.

RULE 8. Duties of Officers.

- A. The Chair shall preside at all meetings of the SCPP and Executive Committee, except that the Vice Chair shall preside when the Chair is not present. In their absence, an Executive Committee member may preside.
- Will a member of the Executive Committee preside at all subcommittee meetings? **(Executive Committee recommends that any subcommittee member may chair subcommittee meetings.)**
- B. The State Actuary shall prepare and maintain a record of the proceedings of all meetings of the SCPP Committee, Executive Committee, and SCPP Subcommittees.
- C. The Executive Committee shall perform all duties assigned to it by these Rules of Procedure, such other duties delegated to it by the SCPP, and shall set meeting agendas and recommend actions to be taken by the SCPP.

Executive Committee Recommendation: Adopt Rule 8.A., 8.B., and 8.C. as drafted.

- The Attorney General represents the Select Committee as a body. If Attorney General services are required, by what process would SCPP requests be made?

Executive Committee Recommendation:

- Rule 8. D. Use of Attorney General Services by the SCPP. A recommendation to refer an issue to the Assistant Attorney General will be approved by the Chair or by a majority vote of the Executive Committee. The Chair or the Committee will consider priorities of the SCPP of all legal issues and budget constraints in making this decision.**

Advice from the Attorney General's Office to the Chair or the Committee may be subject to the attorney client privilege. When subject to the privilege, Committee members are advised to maintain the advice as confidential. The privilege may be waived only by vote of the Committee.

RULE 8. Duties of Officers (cont'd)

- How will projects be assigned to assure they are Committee priorities and can be accomplished with available staff resources?

Executive Committee Recommendation:

- Rule 8. E. Use of Office of the State Actuary (OSA) Services by the Select Committee on Pension Policy. The State Actuary may refer requests for information or services by Select Committee on Pension Policy members that are directly related to current Committee projects or proposals and/or require a significant use of OSA resources to either the Chair of the SCPP or the Executive Committee. Such requests will be approved by either the Chair or by a majority vote of the Executive Committee prior to initiation and completion by the OSA. The Executive Committee will consider priorities of all current OSA projects and budget constraints in making this decision.**

JCPP Rule 8. Duties of Officers.

- A. The chair shall preside at all meetings of the JCPP and executive committee, except that the vice chair shall preside when the chair is not present. In their absence, an executive committee member may preside.
- B. The State Actuary shall prepare and maintain a record of the proceedings of all meetings of the JCPP and executive committee.
- C. The executive committee shall perform all duties assigned to it by these Rules of Procedure, and such other duties delegated to it by the JCPP, and shall set meeting agendas and recommend actions to be taken by the JCPP.

RULE 9. Resolutions and Proposals.

- *How will proposals from groups or individuals be handled?*

Executive Committee Recommendation: No need for Rule 9. Proposals may be forwarded to the Chair of the SCPP, to individual Committee members or to staff.

JCPP Rule 9. Resolutions and Proposals. Proposals for JCPP consideration or action on any subject within the scope of JCPP's authority may be presented orally or in writing by any member of the JCPP. Resolutions addressed to the JCPP by the Washington State Legislature or either chamber thereof shall be deemed to have been presented to the JCPP without further action by any member. Proposals for JCPP consideration or action on any subject within the scope of JCPP's authority may be presented in writing to JCPP by any member of the legislature.

RULE 10. Expenses. Legislators' travel expenses shall be paid by the member's legislative body; state employees' expenses shall be paid by their employing agency; other SCPP members' travel expenses shall be reimbursed by the Office of the State Actuary in accordance with RCW 43.03.050 and 43.03.060.

Executive Committee Recommendation: Adopt Rule 10 as drafted.

Travel expenses directly related to attendance at SCPP meetings will be reimbursed for meals, lodging, and transportation upon submission of a Travel Expense Voucher. For Olympia, lodging expenses are reimbursed up to \$58, Breakfast \$10, Lunch \$13, Dinner \$19, privately-owned vehicle mileage rate of \$.345/mile. Arrangements for air travel must be coordinated with OSA staff in advance to be eligible for reimbursement.

(Ch 295, L of 03, Sec 1)

“(5) Nonlegislative members of the select committee serve without compensation, but shall be reimbursed for travel expenses under RCW 43.03.050 and 43.03.060.”

JCPP RULE 10. Expenses. The biennial budget submission for the office of the state actuary shall be approved by the executive committee. JCPP members' travel expenses shall be paid by the member's legislative body.

(JCPP Rule 11. Responsibility goes to the State Actuary Appointment Committee.)

JCPP Rule 11. State Actuary. If a vacancy occurs, the JCPP shall appoint a state actuary by a two-thirds majority from a list of applicants recommended by the executive committee. The state actuary shall serve as the chief of staff for the JCPP and shall perform such duties as the JCPP or its executive committee may require.

The compensation of the state actuary shall be determined by the executive committee and the executive committee shall provide for a regular performance evaluation of the state actuary. The state actuary may be terminated based on the recommendation of the executive committee subject to the approval of two-thirds of the membership of the JCPP.

POSSIBLE NEW RULE 11. Membership in the State Actuary Appointment Committee

- *What will be the procedure for appointing the four SSCP members to the State Actuary Appointment Committee?*

Executive Committee Recommendation: No need for Rule 11. Appointments will be made per the statute “four members of the select committee on pension policy appointed jointly by the chair and vice-chair.”

(Ch 295, L of 03, Sec 5)

“The select committee on pension policy has the following powers and duties:

“ . . .

“(3) Consult with the chair and vice-chair on appointing members to the state actuary appointment committee upon the convening of the state actuary appointment committee established under section 13 of this act. . . .”

(Ch 295, L of 03, Sec 13)

“(1) The state actuary appointment committee is created. The committee shall consist of: (a) The chair and ranking minority member of the house of representatives appropriations committee and the chair and ranking minority member of the senate ways and means committee; and (b) four members of the select committee on pension policy appointed jointly by the chair and vice-chair of the select committee, at least one member representing state retirement systems active or retired members, and one member representing state retirement system employers;

(2) The state actuary appointment committee shall be jointly chaired by the chair of the house of representatives appropriations committee and the chair of the senate ways and means committee;

(3) The state actuary appointment committee shall appoint or remove the state actuary by a two-thirds vote of the committee. When considering the appointment or removal of the state actuary, the appointment committee shall consult with the director of the department of retirement systems, the director of the office of financial management, and other interested parties; and

(4) The state actuary appointment committee shall be convened by the chairs of the house of representatives appropriations committee and the senate ways and means committee (a) whenever the position of state actuary becomes vacant, or (b) upon the written request of any four members of the appointment committee.”

RULE 12. Staff. The Office of the State Actuary shall provide staff and technical assistance to the Committee.

Executive Committee Recommendation: Adopt Rule 12 as drafted.

(Ch 295, L of 03, Sec 1 [6])

“The office of the state actuary under chapter 44.44 RCW shall provide staff and technical support to the committee.”

(Budget oversight and personnel sections of JCPP Rule 12 go to the State Actuary Appointment Committee.)

(Ch 295, L of 03, Sec 14)

(1) Subject to RCW 44.04.260, the state actuary shall have the authority to select and employ such research, technical, clerical personnel, and consultants as the actuary deems necessary, whose salaries shall be fixed by the actuary and approved by the ~~((joint committee on pension policy))~~ the state actuary appointment committee, and who shall be exempt from the provisions of the state civil service law, chapter 41.06 RCW.

JCPP Rule 12. Other Staff.

- A. The state actuary shall have the authority to select and employ such research, technical, clerical personnel, and consultants as the state actuary deems necessary.
- B. The number of permanent employees and the salary ranges for their positions shall be approved by the executive committee.
- C. The executive committee shall approve all personal service contracts in excess of \$5,000.00.
- D. All staff members shall report to and be subject to the direction of the state actuary, and be exempt from the provisions of the state civil service law, chapter 41.06 RCW. The state actuary shall advise the executive committee on personnel actions. Anyone terminated by the state actuary shall have the right of appeal to the executive committee.
- E. Grievance Procedure. An employee who is dissatisfied with a personnel action or employment conditions shall bring the matter to their supervisor. If they continue to be dissatisfied, the employee may appeal to the State Actuary. If the employee disagrees with the decision or action of the State Actuary, the employee may appeal to the chair or vice chair for action by the executive committee.



Select Committee on Pension Policy

Preliminary Post-Retirement Employment Report September 2003

Fiscal and Policy Implications of:
Chapter 10, Laws of 2001, 2nd Special Session
(ESSB 5937)

Prepared by:
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Background:

In 2001, Washington State pension law was changed by expanding post-retirement employment opportunities for plan 1 of the Teachers' Retirement System (TRS 1) and for plan 1 of the Public Employees' Retirement System (PERS 1).

In response to a critical shortage of experienced teachers and other employees with skills that were in high demand, the limitation on the number of hours that a retiree can work in PERS 1 and TRS 1 was expanded to 1,500 per year (before suspension of the retirement benefit). The effective date of the law change was July 1, 2001.

The law also called for a study of the fiscal and policy impacts of the expanded post-retirement program.

Study Mandate: *The office of the state actuary shall review the actuarial impact of the temporary expansion of the post-retirement employment limitations provided by sections 3 and 4 of this act. No later than July 1, 2003, the state actuary shall prepare a report for the joint committee on pension policy regarding the fiscal and policy impacts of this act.*

The joint committee shall solicit information from the superintendent of public instruction, the department of personnel, the office of financial management, the department of retirement systems, and the health care authority regarding the program impacts of this act and shall report to the legislative fiscal committees no later than October 1, 2003, on any proposed changes or improvements to this act.

If the state actuary determines the expansion of post-retirement options under sections 3 and 4 of this act has resulted in increased costs for the state retirement funds, the joint committee report shall include a proposal for a process to charge those employers who employ retirees pursuant to an extension of sections 3 and 4 of this act for the costs incurred by the retirement funds under the extension. (Ch. 10, L of 01, 2nd sp. sess.)

Revised Study Mandate: Sections 5 and 6 of the bill that mandated this study were vetoed. As a result, the sunset date in 2004 that would have terminated the expansion of the post-retirement employment limitations was removed.

Further Program Changes in 2003: Chapter 412, Laws of 2003, made further changes to the post-retirement employment provisions. Of most significance to this study, the law placed new standards and procedures for the future employment of PERS 1 retirees. Specifically, the law created a lifetime limit on the number of hours a PERS 1 retiree may work after being rehired by a PERS eligible employer before suspension of their retirement benefit.

Joint Committee Replaced with the Select Committee on Pension Policy: Also during the 2003 Legislative Session, SHB 1204 (Chapter 295, Laws of 2003) was adopted. This law replaced the Joint Committee on Pension Policy (JCPP) with the Select Committee on Pension Policy (SCPP). The law enacting the mandate for this study was not revised to reflect the replacement of the JCPP. We have assumed that the duties and responsibilities of the original study mandate have transferred from the JCPP to the SCPP.

Proposed Reporting Process: In order to satisfy the study mandate, the Office of the State Actuary (OSA) proposed the following reporting process:

1. *OSA will present an initial draft of the report to the SCPP at the September 2003 committee meeting. The initial draft will contain an analysis of the fiscal impact of the act based on the data received thus far. The initial draft will also include a brief history and policy background for the subsequent policy impact discussion.*
2. *Based on the fiscal analysis and impact reported by the State Actuary, the SCPP will determine whether a proposal for a process to charge employers prospectively for any increased costs to the affected retirement systems is necessary.*
3. *At the October 2003 committee meeting, the SCPP will solicit information from the public and from the Office of the Superintendent of Public Instruction, Department of Personnel, Office of Financial Management, Department of Retirement Systems, and the Health Care Authority regarding the program impacts of this act.*
4. *Based on this input, the SCPP will prepare a final report for the legislative fiscal committees which may include any proposed changes to the act.*

Fiscal Impact:

Background

According to the study mandate, the state actuary shall determine if the expansion of post-retirement employment options under this act has resulted in increased costs for the state retirement systems. If so, the SCPP shall propose a process to charge those employers who employ retirees for the costs incurred by the retirement funds due to the extension.

Data Used in Analysis: The Department of Retirement Systems (DRS) provided quarterly files of rehired PERS and TRS retirees since the effective date of the law change (July 1, 2001). Principle data elements provided by DRS included the following:

- counts of PERS and TRS retirees
- hours worked
- salary
- date retired
- date rehired; and
- occupational information (TRS only).

Annual valuation data from the Office of the State Actuary was also used in the analysis. **Note: These data have not been audited.**

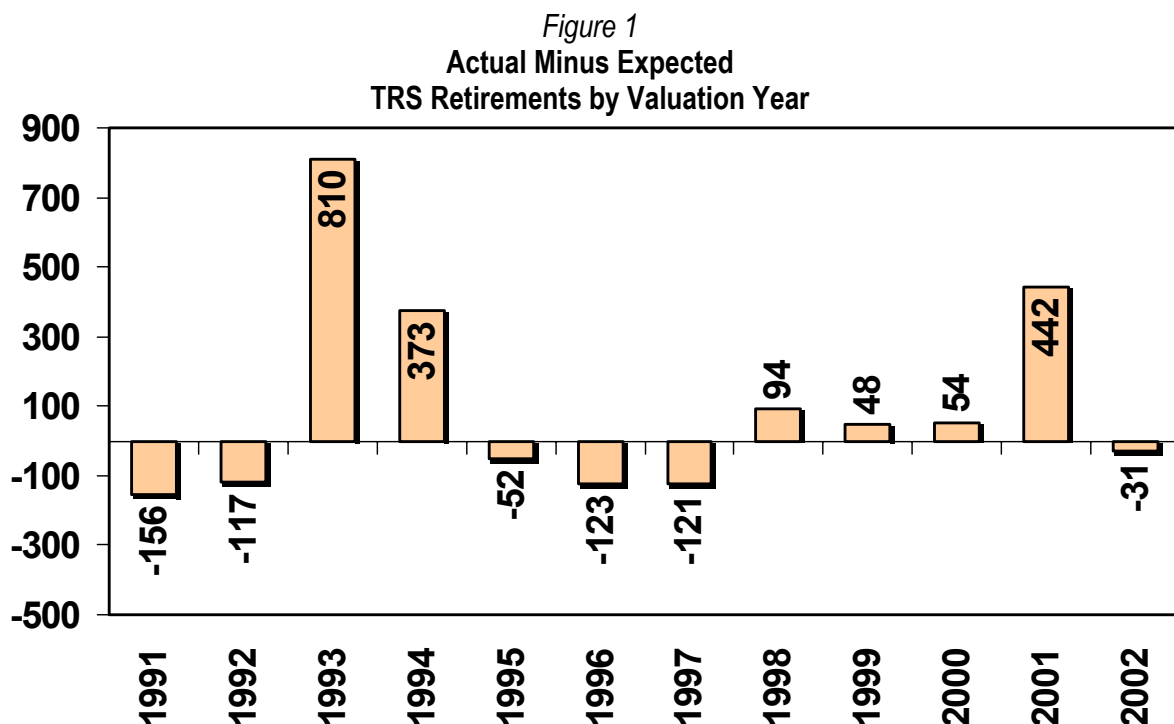
Actuarial Impact/Analysis

The extension of the number of hours a PERS 1 or TRS 1 retiree may work is not a direct benefit enhancement. In other words, it does not represent an immediate and easily measurable increase in the plan's retirement liability (like an increase in the retirement benefit formula or an increase in the plan's COLA).

Unlike a standard benefit enhancement, the actuarial impact of this program, if any, would surface through a significant increase in the number retirements over what is assumed under normal long-term plan experience. Retirements that were assumed and funded to occur at a later date, on average, would occur earlier. As a result, retirement benefits would be paid sooner than assumed and there would also be a loss of the member's contributions to the trust fund for the period of earlier retirement. PERS 1 and TRS 1 employers who employ retirees for more than the previous annual hourly limits are currently required to make employer contributions for the entire year, so there is no loss of employer contributions.

The cost of earlier retirement (i.e., longer payout) and loss of the member's future contributions outweigh the savings that result from a benefit based on a lower average final compensation and fewer years of service (from earlier retirement). Additionally, there would be limited savings of lower service in the retirement benefit from the earlier retirement of members with 30 or more years of service since the benefit formula in PERS 1 and TRS 1 is capped at 30 years of service (except for the Uniform COLA).

TRS Experience Data: The following Figure demonstrates the number of actual retirements as compared to the number of assumed retirements in TRS 1 during the 1991 through 2002 valuation plan years.



You will note a downturn in the number of actual retirements in 1991 and 1992. This may have been due to the economic downturn during the period. The large surge in actual retirements during 1993 and 1994 was due to early retirement windows enacted by the Legislature. These windows tend to suppress the number of actual retirements in subsequent years. There also appears to be a significant spike in the number of retirements during 2001 (442 more actual retirements than assumed for the period); the first year of the expanded post-retirement provisions. Care must be used in analyzing these data because of changes in valuation year end dates; 2001 captures more than 1 year of retirements, both actual and expected.

PERS Experience Data: Chapter 412, Laws of 2003, made further changes to the law. Of most significance to this study, the law placed new standards and procedures for the future employment of PERS 1 retirees. Specifically, the law created a lifetime limit on the number of hours a PERS 1 retiree may work after being rehired by a PERS eligible employer before suspension of their retirement benefit. This law change became effective on July 27, 2003.

The new lifetime hours limit will likely change the behavior of future PERS 1 retirees and current PERS 1 retirees that are currently employed in eligible PERS positions. We do not have data available on retirements since the effective date of the law change for PERS 1. As a result, there are insufficient data to determine the actuarial impact of the expanded program on PERS 1 at this time.

Normal Volatility: As noted earlier in this report, from the 2000 valuation to the 2001 valuation date, TRS 1 experienced an excess of 442 retirements over what was assumed for those eligible to retire during that period. 2001 was the first year of the expanded post-retirement employment provisions.

Actuarial assumptions are based on long-term experience periods and are not employed nor anticipated to fit actual experience exactly for an annual period. Under a reasonable set of retirement assumptions, one would expect that the total number of actual retirements would more closely resemble the expected number of retirements over longer-term experience periods (say 5 to 10 years) in aggregate.

So, with this in mind, how much of this deviation in 2001 was due to normal volatility in annual retirement experience? One simple statistical approach to this question is to review the variance and standard deviation of the annual retirement experience. In this context, these statistics measure the deviation of the extra/fewer number of annual retirements from the average number of annual extra/fewer retirements over the sample period.

This calculation is developed in the following table:

Figure 2
Standard Deviation Analysis
Actual and Expected TRS 1 Retirement Experience

		Actual	Actual *	Expected	Actual* minus Expected
7/1/1990	– 6/30/1991	903	903	1,059	-156
7/1/1991	– 6/30/1992	911	911	1,028	-117
7/1/1992	– 6/30/1993	1,893	1,083	1,083	0
7/1/1993	– 6/30/1994	1,422	1,211	1,049	162
7/1/1994	– 6/30/1995	1,051	1,288	1,103	185
7/1/1995	– 6/30/1996	1,003	1,240	1,126	114
7/1/1996	– 6/30/1997	1,028	1,265	1,149	116
7/1/1997	– 6/30/1998	1,331	1,568	1,237	331
7/1/1998	– 6/30/1999	1,359	1,434	1,311	123
7/1/1999	– 6/30/2000	1,452	1,452	1,398	54
	– Standard Deviation**				159
7/1/2000	– 9/30/2001	3,042		2,600	442
10/1/2001	– 9/30/2002	1,426		1,457	-31

*The extra retirements in 1992 and 1993 due to the early retirement windows were evenly distributed over the subsequent five years. The 2001 and 2002 plan years were excluded from the sample. Because of changes in the valuation year end date, data for 2001 include more than 1 year for actual and expected retirements.

**Based on a population mean value of zero.

The 442 extra retirements during the 2001 valuation period represent the number of extra retirements from July 1, 2000 through September 30, 2001. Since most TRS 1 members retire effective July 1st, this period represents nearly two years of retirement experience (both actual and expected). The 442 extra retirements during the period is equivalent to a rate of 237 extra retirements per year over the period. This is equivalent to about 1.5 standard deviations from the mean.

Causal Relationship: There are numerous factors that influence an individual's decision to retire. Could the opportunity to work up to 1,500 hours during retirement provide an incentive for TRS 1 members to retire earlier than they otherwise would have and return to work? Yes. Could this expanded opportunity provide a stronger incentive for TRS 1 members with 30 or more years of service to retire earlier? This seems quite possible since the TRS 1 benefit formula is capped at 30 years of service. There are certainly additional factors that may provide a similar incentive. Furthermore, TRS 1 members are not guaranteed post-retirement employment in their former positions.

Unfortunately, there are insufficient data to determine the direct cause for the increase in TRS 1 retirements during 2001. Therefore, we cannot determine the true causal relationship for the increase in retirements. That being said, it does not eliminate the possibility that the increase was due, at least in part, to the expansion in the post-retirement employment provisions. Any increase in the actual number of retirements, over what is assumed, will represent an increase in the TRS 1 retirement liability if the trend were to continue in the future.

Limited Experience Period: How much data are needed to determine if a new trend has been established? Typically, actuaries study retirement plan experience every 5 to 6 years and adjust long-term retirement assumptions based on actual retirement experience over a 5 to 6 year consecutive period for a significant-sized cohort that is eligible to retire.

Substantial changes in plan provisions, like the expansion of the post-retirement employment provisions for TRS 1, may warrant an adjustment to the plan's retirement assumptions sooner than the 5 to 6 year experience study cycle. Under such circumstances, an actuary must use their professional judgment when determining whether an adjustment is necessary and, if so, how much credibility or weight to place on any emerging deviation in plan experience. Such an adjustment would allow the plan sponsor and covered employers to pre-fund any increase in plan liability. This funding approach, however, would charge all employers, whether they employ retirees for extended periods or not.

Actuarial Cost Characteristics: The direct cause of an earlier retirement is not easy to ascertain. The cost of an extra or earlier retirement, however, is a relatively standard actuarial calculation. The dollar cost is the actual retirement liability minus the expected retirement liability (actual minus expected). The expected liability would include projected future salary and service accruals plus the probability of future retirement at each age in the future. The actual liability reflects the liability of an immediate retirement based on salary and service at the valuation date.

Figure 3 displays the cost of earlier retirement for the 527 TRS 1 members that retired and rehired for more than 840 hours per year during the study (about two years of TRS 1 retirement experience). 840 hours was the former annual limit on the number of hours before suspension of the retirement benefit in TRS 1.

Figure 3
Actual Minus Expected Liability
TRS 1 Retirees Working over the Post-retirement Employment Limits

		Over 840 Hours
Count		527
Present Value of Fully Projected Benefits (<i>\$ in thousands</i>)		
100% Retired	– Actual	\$218,979
Remain Active	– Expected	\$180,420
Difference		\$ 38,559
-- A v e r a g e s --		
Present Value of Fully Projected Benefits		
100% Retired	– Actual	\$415,519
Remain Active	– Expected	\$342,354
Difference		\$ 73,165
Difference as % of Expected Salary		31%
Annual Salary		\$ 63,319
Service		31
Age		55

The average cost per person is about \$73,000. This represents a cost of about 30% of pay, per retiree, for each year of earlier retirement (about 2.5 to 3 years on average in this sample).

This analysis of the cost characteristics in this section is limited by the availability of only 15 months of experience. Further study with additional years of data will increase the confidence and significance of the analysis. The cost of an earlier retirement, however, is a relatively stable percentage of pay for each year of earlier retirement.

Conclusion – Actuarial Analysis

Based on the above analysis, the state actuary has determined that the expanded post-retirement provisions of Chapter 10, Laws of 2001, 2nd special session, has resulted in increased costs for TRS 1. The exact cost to TRS 1, however, is not easily measurable with a high degree of accuracy or confidence. These limitations do not eliminate the presence or possibility of a cost to the plan.

Due to recent changes to the original retiree law affecting PERS 1, there are insufficient data to determine the actuarial impact of the expanded program on PERS 1 at this time.

Initial actuarial analysis suggests that the expanded program has resulted in an apparent increase in the number of actual TRS 1 retirements (as compared to what is assumed and funded through the actuarial valuation). This analysis is limited by availability of only 15 months of experience data and the lack of sufficient data to determine a direct causal link in the increase in TRS 1 retirements to the expansion of the post-retirement provisions.

Preliminary costs for each additional or earlier retirement as a percentage of an individual TRS 1 member's salary for employers hiring TRS 1 retirees for more than 840 hours is approximately 30% for each year a TRS 1 member retires earlier than was assumed in the actuarial valuation (on average). Cost estimates based on group averages that are applied to individual retirees, by definition, will undercharge some employers and overcharge others. Additionally, there is no clear-cut method of determining whether a retiree, on an individual basis, is an extra retirement.

Options:

1. Charge individual employers an additional 6% of pay, the member contribution rate, for each year a TRS 1 employer hires a TRS 1 retiree for more than 840 hours. The additional employer charge will stop once the rehired retiree reaches age 60 (the latest normal retirement age of the plan).
2. Defer a proposal to charge individual employers until further data and study is available.
3. Do not charge individual employers, but allow the exact increase in costs to emerge in the TRS 1 unfunded actuarial accrued liability that is paid by all TRS employers.

Analysis of Options:

Option 1 would recognize a portion of the increase in cost to TRS 1. The additional 6% employer charge is well below the average 30% charge for each year of earlier retirement, but would mitigate the consequences of applying an average rate for extra or earlier retirements to an individual employer. Additionally, the reduced employer charge of 6% recognizes the limited credibility of the preliminary nature of the data and analysis.

Option 2 would not recognize the increase in cost to TRS 1 (at least, not initially). As a result, the added cost incurred between now and adoption of the final employer charge would roll into the unfunded actuarial liability in TRS 1 and the cost would be amortized at June 30, 2024 as a level percentage of future TRS payroll for all TRS employers. This approach, however, would allow for the collection of additional data and would lead to an eventual employer charge with higher credibility.

Option 3 does not satisfy the study mandate since it would not result in a charge for only the individual employers that employ TRS 1 retirees for more than 840 hours per year. This approach, however, would eliminate the difficulty of devising a method of determining whether an individual retirement for a single employer has resulted in an extra or earlier retirement.

SCPP Proposal(s) - Fiscal

Proposal(s) determined in the next reporting phase.

Policy Implications

Background

The expansion of rehire opportunities for retirees was to accommodate the human resource needs of public employers -- school districts in particular. Many districts, particularly those in high cost urban areas, had difficulty filling teacher vacancies during the most expansive point in the last business cycle. Because public employers have little flexibility in the use of salary increases to attract job applicants, it was felt that use of pension policy to provide financial incentives for the existing teacher population, particularly recent retirees, would be a reasonable substitute.

Legislative History: At their inception, Washington's public retirement plans forbade members from returning to work at an employer within the same retirement plan. Were a retired PERS member to return to work for any PERS employer, their retirement benefits would be suspended until they terminated completely.

These restrictions were applicable to PERS or TRS retirees returning to work for a PERS or TRS employer. Retirees were never under any restriction regarding private employment, working for another state, or opportunities in the Federal government.

- *The 5 month Standard:* In the mid-1960s, the post-retirement employment door was opened. Legislation was passed in 1965 allowing retirees to return to work in ineligible positions -- those requiring 5 months or less work per year.
- *TRS Follows Suit:* That 5-month standard in PERS -- 5/12ths of a year -- carried over to members of TRS as well. However, that 5/12ths was translated into 75 days (5/12ths of 180 days in the school year); as a result, TRS retirees were allowed to return to work for 75 days per school year in substitute positions.

Early on, the 75-day standard for TRS retirees was translated into 525 hours using an average of 7 hours per school day. This hourly measure was more accommodating for secondary school substitutes who might not teach for an entire school day.

In this last business cycle, with labor shortages being felt in most industry sectors, the 525-hour standard for retired teachers returning to work as substitutes was enhanced to 840 hours for school districts that had documented teacher shortages. TRS retirees were allowed to work up to 2/3rds of a school year as a substitute teacher or substitute principal in such a district (7 hour per day × 120 days of the school year = 840 hours). A TRS retiree returning to work as a substitute administrator was allowed to work up to 630 hours in a district where the school district board of directors adopted a resolution declaring that the services of the retiree were necessary because they could not find a replacement administrator to fill the vacancy.

2001 Legislation: While the ability of PERS and TRS retirees to return to work had been well established, legislation was passed in 2001 to address several issues. The Joint Committee on Pension Policy (JCPP) wanted to address a PERS return-to-work issue relating to how the 5-month allowance had been interpreted, and they wanted to standardize the 840 hour limit for all TRS retirees returning to work as substitutes in all school districts. The Governor's office wanted to help address the teacher shortage situation by allowing retired teachers to return to work full-time without a suspension of their retirement benefit thus receiving a full salary along with their retirement allowance (see Appendix C).

- *An Hour is a Month:* When the provision was passed allowing PERS retirees to return to work for 5 months, the statute was interpreted to mean that any time worked in a given month would debit that month from the 5-month allowance. For example: if a PERS retiree began work on January 1st, they would be eligible to work full time through the end of May; or if they began work on January 31st they would still only be eligible to work through the end of May. This interpretation allowed a PERS retiree to work on a full-time basis in only monthly increments.
- *An Hour is an Hour:* The JCPP proposed a bill that would allow PERS members to work 867 hours per year. This was a simple translation of the monthly limit into hours (5/12ths × 2080 hours per year). By amending the statute to read in hours, retirees and employers would be given greater flexibility in scheduling; instead of being limited to working full-time for 5 months, retirees would now be able to work part-time schedules for a greater part of the year.
- *2/3rds of a School Year:* The JCPP also forwarded a bill to the legislature increasing the amount of time TRS members could work in post-retirement situations. Formerly, members were limited to 525 hours of work as substitute teachers, or in districts with documented shortages, 630 hours as substitute administrators, or 840 hours as substitute teachers or principals. The JCPP bill proposed standardizing the post-retirement hourly limit to 840 hours for all TRS retirees returning to work as substitutes, be they teachers, administrators, or principals.
- *Coming Back Full Time:* At the same time the JCPP was proposing its legislation, the Governor's office requested legislation allowing TRS retirees to return to work for up to 1,500 hours in a school year. This hourly standard would allow TRS retirees to return to work full time as teachers since no school district had standard contracts requiring more than an 8 hour work day (8 hours per day × 183

contract days = 1,464 hours per contract year). As a result, retirees could return to work and, if they worked the entire school year, receive a full salary along with their full retirement allowance. More importantly, this legislation would also allow TRS retirees to return to work in other than substitute positions.

The 1,500 hour standard was proposed for PERS retirees as well. This would allow PERS retirees to work almost 9 months of the year without their benefit being suspended. As a result, PERS 1 retirees could return to work and, if they worked the full year, receive a full salary and three-quarters of their retirement allowance.

To help alleviate any potential cost of this change, the bill required that employers engaging a retiree for more than 867 hours, the earlier PERS standard, pay employer contributions to the retirement system for the entire time of the retiree's employment.

- *Without Reference:* In an unusual development, both the JCPP bill amending the post-retirement provisions in the TRS chapter (Ch. 317, L of 01, 1st sp. sess.) and Ch. 10, L of 01, 2nd sp. sess. passed into law in 2001. Since neither bill referenced the other, both were codified. With both provisions codified, legal precedent required that the more advantageous provision apply, thus the 1,500 hour limit became the standard.

The JCPP bill amending the TRS chapter contained language giving the legislature the right to amend or repeal the section assuring that no member has a contractual right to 840 hours per year of post-retirement employment. The governor's request legislation contained similar language, giving the legislature the right to amend or repeal these sections and assuring that no member has a contractual right to more than 525 hours per year of post-retirement employment in TRS or 867 hours in PERS.

Post 2001 Legislation: Numerous bills were introduced after the passage of Ch. 10, L of 01, 2nd sp. sess. that sought to add provisions that both employers and members would have to follow. These provisions attempted to:

- Forbid the hiring of a retiree if there were four or more qualified applicants for the job. (Did not pass.)
- Increase the separation period after retirement before members could return for the 1,500 hours. (Passed: Increased to 90 days in PERS.)
- Require employers to provide documentation of a shortage before being allowed to hire a retiree. (Passed: Applicable to PERS employers.)
- Require employers to keep human resource records that could be audited to assure they follow existing hiring policies. (Passed: Applicable to PERS employers.)
- Limit the total number of hours a retiree could work beyond the former annual limit. (Passed: limited PERS rehires to 1,900 hours beyond the annual 867 hour limit.)
- Forbid verbal agreements to return to work. (Passed: applicable to PERS.)

In-Service Distributions

Verbal Agreements: The old caveat says that a verbal agreement is as good as the paper its written on. Old caveats die hard. Understanding verbal agreements is important because written agreements to return to work were forbidden, verbal agreements were not. There is considerable difficulty in enforcing any regulation against verbal agreements.

What Constitutes Separation: In order to be considered fully separated from their employer, PERS and TRS members must, after the effective date of their retirement, be gone for one calendar month. The effective date of a member's retirement is the first day of the month following the month in which they retired. A PERS member whose last day of employment was June 30th would have a July 1st retirement date. If they wished, they would be eligible to return to work on August 1st.

What Constitutes Retirement: The matter of what constitutes retirement arises in the melding of the "return-to-work agreement" issue and the "separation" issue. While this may seem rather academic, it could eventually be a matter effecting state policy and federal policy as well.

All qualified retirement plans, public and private, are governed by Federal statutes. The tax status of retirement plans is based on their adherence to these regulations. The litany of chapter and sub-chapter numbers of the Internal Revenue Code are familiar though not necessarily well understood: 401(a), 401(k), 403(b), 457 and so on. But one of the fundamental regulations governing public defined benefit plans is that no "qualified" retirement plan can provide "in-service distributions;" a member cannot receive their retirement benefit while still working.

With the potential for a verbal return-to-work agreement between an upcoming retiree and their employer, such a member's actual separation may be called into question. If it were determined that such agreements negated the separation of the employee from the employer, that could potentially disqualify a retirement plan allowing such an agreement. A disqualified plan would be subject to significant tax liabilities for the employee and employer.

The IRS does allow a great deal of leeway in their dealings with public retirement plans. Most recently, that leeway has allowed plans to engage in what are called transitional policies; easing members into retirement. This plan modification, however, has little resemblance to a transitional retirement policy; it is more related to personnel policy (filling hard-to-fill positions).

At its extreme, a verbal agreement to return to work may result in questions as to whether such an employee actually separated from their employer, and whether they are retired.

Other States / Systems: How do the post-retirement employment provisions in Washington State's public retirement systems compare to other states? Compared to other states', Washington's post-retirement employment provisions appear fairly typical. The following table illustrates the provisions governing post-retirement employment from select state retirement systems – the choice based on the largest systems, neighboring states, and a number of peer states based on population (see Figure 4).

Within this comparison, only Michigan's provision prohibits a member from working after they retire. Other states allow members to work a fixed number of hours for a plan employer after they retire (Calpers, Idaho, Oregon). Others allow a member to earn a fixed amount of salary (CalStrs, New York PERS and TRS). And others allow members to work full time (Kentucky and Texas).

Figure 4
Rehire Provisions from Select State Retirement Systems

State / System	Post-Retirement Employment Provisions
CALPERS	May work a maximum of 960 hours
CALSTRS	May earn a maximum of \$24,934
Idaho PERSI	May work less than half time for public employment and less than half time contract for teachers
Kentucky PERS	May return to a different job in the same retirement system and earn an additional benefit. After age 65 (or 55 for hazardous duty employees), may return to any position and earn an additional benefit if reemployed full-time.
Kentucky TRS	May return full-time with a different employer after three month separation, or return to the same employer after a one year separation. Pay limited to 75% of last salary and employers limited to using rehires in 4% of positions.
Michigan SERS	Retirement allowance will be suspended for any month for which state wages are paid
New York PERS & TRS	May earn a maximum of \$25,000
Ohio PERS and STRS	After 2 month separation may return full time but must contribute to a separate annuity.
Oregon PERS	May work a maximum of 1,039 hours
Texas PERS	May work full time with no contributions and no added benefit.

Other Rehire Characteristics

System: While rehires are found among both PERS and TRS members, the largest number come from the TRS ranks (see Figure 5).

Figure 5
Rehires by System and
Percent of Total Annuitants

	PERS	TRS
Total Rehires	2,542	5,168
Percent of Annuitants	4.1%	15.6%

Comparing rehires by their ratio to total annuitants results in an even greater incidence of rehire activity by TRS members; some 15.6% of TRS retirees returned to work in a TRS position while 4.1% of PERS retirees returned to a PERS position.

Rehire Characteristics Data: In the following section of the report these data have been arrayed into groupings of members who were:

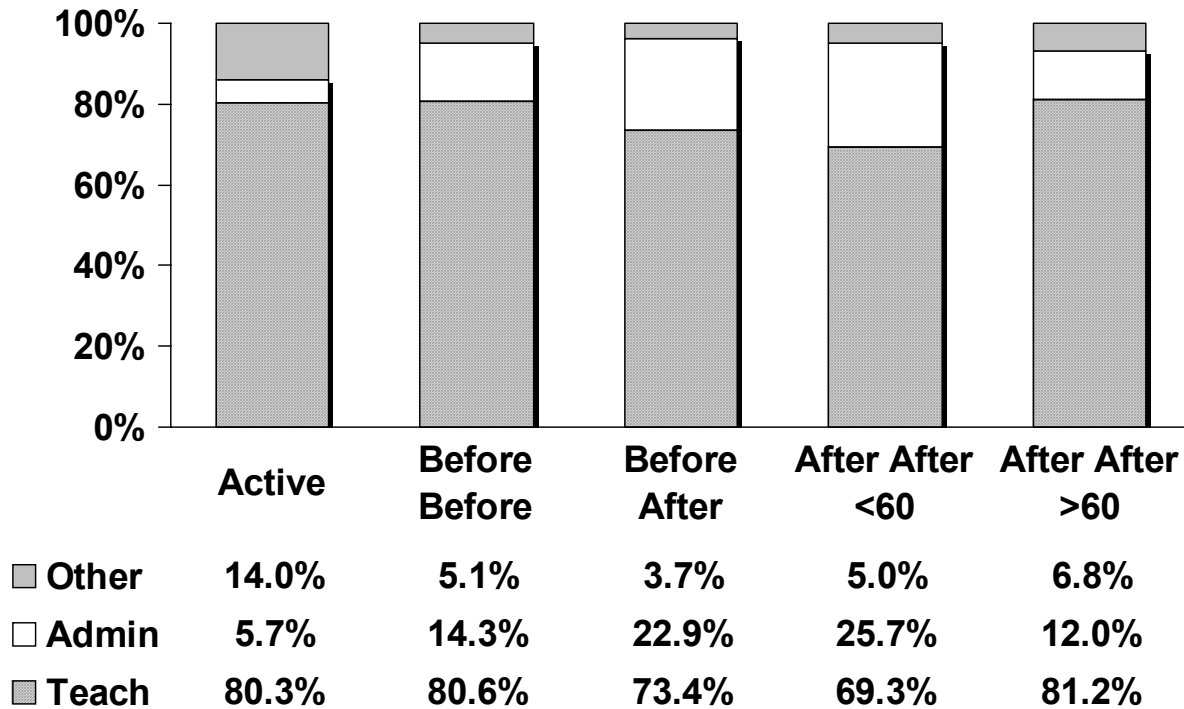
- **Before Before** -- retired and rehired before the effective date of these changes,
- **Before After** -- retired before and rehired after the changes,
- **After After <60** -- retired after the changes and rehired within 60 days of separation, or
- **After After >60** -- retired after the changes and rehired after 60 days of separation.

Plus, each of these groupings is split between those working above and below the old post-retirement hourly thresholds -- 867 hours in PERS and 840 hours in TRS.

Occupations: The Department of Retirement Systems collects some rudimentary occupational information on TRS retirees but none on PERS retirees. The occupational distribution of PERS retirees can only be presumed via other measures like salary.

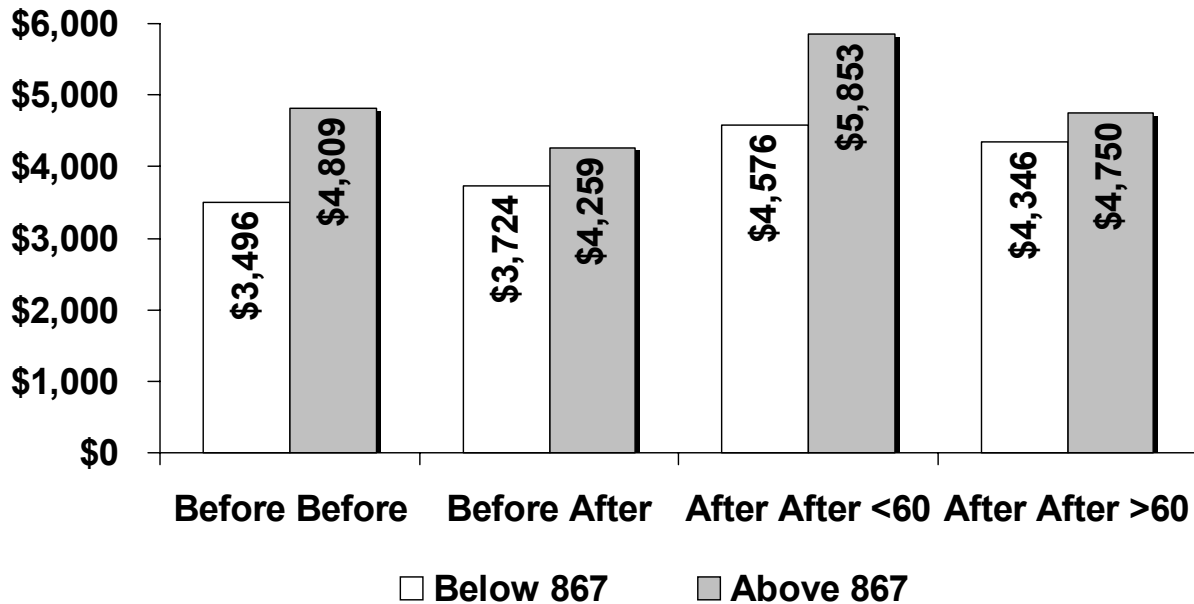
The occupations of TRS retirees fall within three large categories -- teachers, administrators, and others (see Appendix A for detail). Two items are evident in the occupational distribution of active and rehired TRS members, the greater use of administrators in rehire situations, and the lesser use of those in "other" occupations (see Figure 6). While administrators constitute 5.7% of all TRS occupations in Washington's schools, over 25% of those rehired within 60 days of retirement have been in administrator positions. This may be called a desirability effect. These patterns hold for both PERS and TRS members. This may also be a borrowing phenomenon; those higher salaried / managerial members retiring during this period will not be included in the future averages; thus the characteristics of future retirees may exhibit a moderating age, member service, and salary profile.

Figure 6
Occupational Share of Active TRS Members and Rehired TRS Members
Working Over 840 Hours During the 2002-03 School Year
by Period of Retirement



Average Final Compensation: Another measure to examine in these retire-rehire characteristics is salary; because there is no occupational identifier in PERS retirement data as there is in TRS, salary is used as a proxy. If there were a greater share of managerial retirees in the current rehire situations, that would portend a higher average final compensation (AFC). This was the case as PERS 1 retiree AFC rose significantly when comparing select rehires (see Figure 7). Even after discounting for some inflation, this may be an indication that more senior administrative and managerial members represented a greater share of recent rehires.

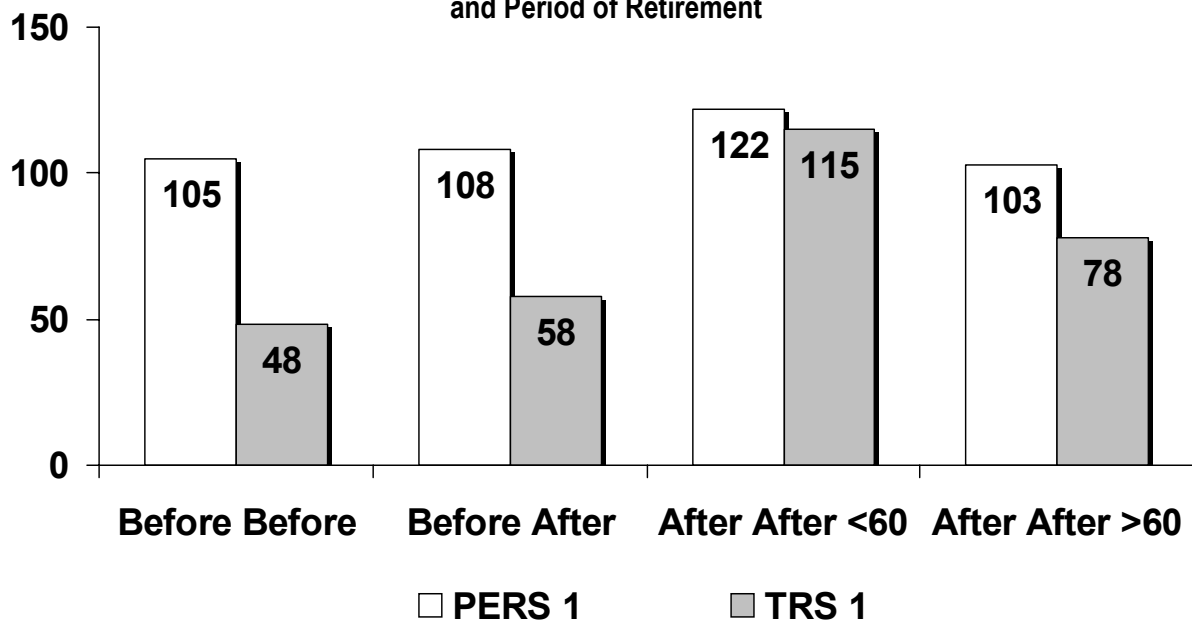
Figure 7
PERS 1 Rehires by AFC,
Amount Working, and Period of Retirement



Rehire Hours: Because of the interpretation of the 5-month provision, PERS retirees who returned to work could not spread out their hours, as could TRS members. As a result, they tended to work more hours per month but for fewer months. The changes in post-retirement provisions allowed PERS 1 members to work almost twice as much as before in terms of total hours, but also gave them, and their employers, the option of working part-time for the whole year.

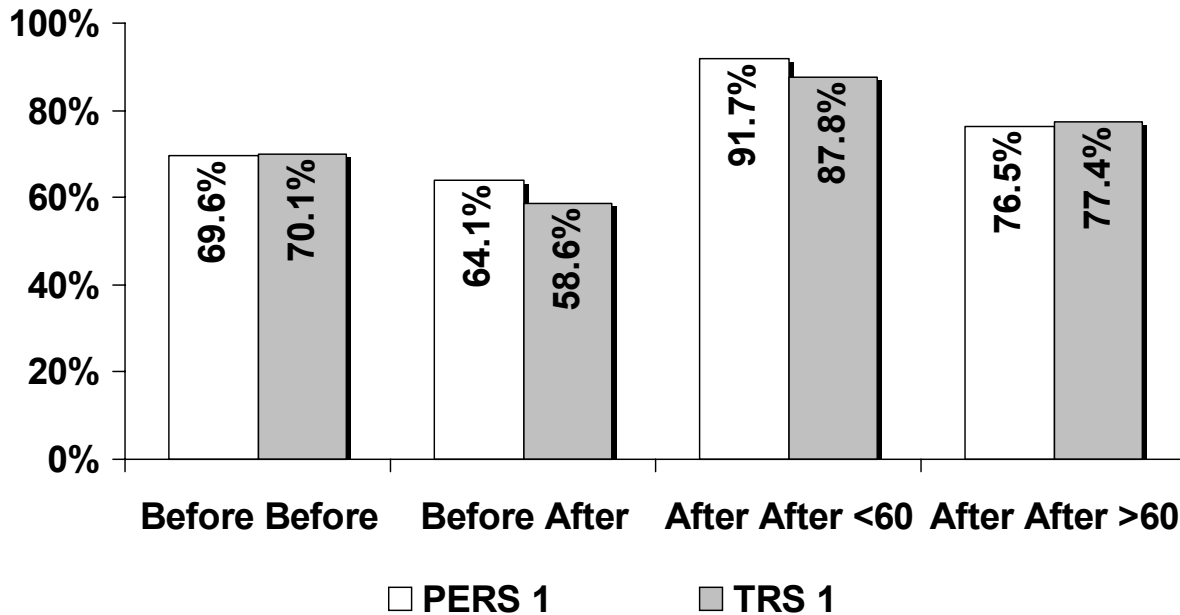
The greater increase in hours among the TRS members returning to work, compared to PERS, may be the result of the new opportunity to work full-time instead of as substitutes (see Figure 8).

Figure 8
PERS 1 and TRS 1 Rehires by Hours per Month
and Period of Retirement



Return to Where: When retirees return to employment, where do they return? For the most part, they return to their former employers. While a number of retirees do use retirement to change employers and seek other opportunities, they tend to be in the minority. Prior to the changes in the post-retirement statutes, approximately 2/3rds of rehires who returned to work did so with their last employer (see Figure 9). In the period immediately following the changes, nine out of ten rehires returning within 60 days returned to the same employer from which they retired.

Figure 9
PERS 1 and TRS 1 Rehires by
% at Same Employer and Period of Retirement



Who Uses Rehires: Many employers use retirees as part of their human resource policy. This analysis examines those employers who had 5 or more retirements and more than a 20% rate of rehire. Some 130 employers met that criteria, 89 TRS employers and 41 PERS employers – 18 of those PERS employers were school districts or community colleges as many of their administrative staff are not certified and are either PERS or SERS members.

As TRS members constitute the majority of rehires, it would hold that school districts be the most common employers. The largest such employer is the Seattle School District, employing 80 rehires as of the end of 2002 (see Figure 10). The top rehire employers are school districts within the Puget Sound region. That these tend to be among the largest school districts in the state is one of the reasons they employ large numbers of rehires. In addition, it is within this region where all employers experienced significant labor shortages at the peak of the last business cycle.

A number of PERS employers also employ a significant number of rehires. The Department of Social and Health Services employed 44 rehires; this number is relatively middling considering the size of DSHS, and their large number of retirees. The State Department of Transportation is the next PERS employer on the list with 23 rehires.

Lake Stevens School District is noteworthy in that all those it rehired were on pace to work full time. Lake Stevens is not the only such employer (see Appendix B): all the retirees rehired by The Department of Information Services, McNeil Island Correctional Facility, Kiona- Benton City School District, Grandview School District, and Ellensburg School District were on pace to work beyond the earlier hourly limits.

Figure 10
Rehires by Employer Ranked by Number Working Above Earlier Limit
From July 1, 2001 to December 1, 2002

Department Name	Retirees	Rehires	Over 840-867 Hour Threshold
Seattle SD	225	80	35
North Thurston SD	64	46	27
Highline SD	75	38	25
DSHS	294	44	21
Lake Washington SD	70	30	18
Renton SD	46	32	18
Northshore SD	55	33	12
Shoreline SD	50	19	12
DOT	116	23	12
Tacoma SD	129	65	11
Edmonds SD	77	32	11
Lake Stevens SD	19	11	11
Kent SD	79	28	10
Auburn SD	45	14	10
Issaquah SD	43	20	9

Unemployment Insurance Issue

Unemployment insurance (UI) is provided to those that lose their jobs. To qualify, a worker had to have been in a job covered by unemployment insurance, have worked 680 hours in 4 of the last 5 calendar quarters, and be without work through no fault of their own.

Workers who retire are not unemployed – they have voluntarily left employment and do not qualify for UI. By returning to work, however, most retirees place themselves on a new rung of the labor market ladder. The majority of retirees in public sector return-to-work arrangements are no longer in permanent jobs. They no longer have an expectation of continued employment beyond a fixed point in the future – normally less than one year. As a result, when they separate from that job, they are considered unemployed. And if they worked at least 680 hours in that job, they are eligible for UI.

State and local governments in general have a low incidence of employee lay-offs or reductions in force (RIFs). There are a variety of government employers – parks departments, and even schools -- that use seasonal employees. But even these employees have a reasonable expectation of continued employment; school employees don't work in July and August, but know they have a job come September. As a result, the unemployment taxes paid by State and Local government are quite low on the tax schedule. However, by hiring a retiree who may, at the end of their employment, be eligible for UI, government employers may be increasing their unemployment tax liability. While this is not a cost to the retirement plans, it is a cost nonetheless. Recent legislation (SHB 1829, C412 L03) requires DRS and the Employment Security Department to notify employers about the possible unemployment compensation consequences of hiring retirees.

Retirees Return

It appears that retirees are attracted back to public employment by increasing the number of hours they are allowed to work before their benefit is suspended. This can be seen when comparing the counts over time of retirees who already had some post-retirement work experience, and counts of other retirees whose original retirement decision could not have been influenced by the change in statute. These two groups of retirees experienced an increase of 1,347 workers between June and December of 2002 (see Figure 11).

Figure 11
Counts of Rehires Whose Original Retirement Decision
Was Not Influenced by Ch. 10, L of 01, 2nd sp. sess.

Period Ending	Before Before		Before After		Total
	PERS 1	TRS 1	PERS 1	TRS 1	
June 02	711	1,281	621	1,767	4,380
Dec 02	924	1,527	1,022	2,254	5,727
Increase	213	246	401	487	1,347

Stakeholder Input

The SCPP will solicit information from the public and from OSPI, DOP, OFM, DRS and HCA regarding the program impacts of this act.

SCPP Proposal(s) - Policy

Proposal(s) determined in the next reporting phase.

Appendix A

Department of Retirement Systems Occupational Classification for TRS Members

Duty/Assignment*	Individuals*	DRS Classification
Superintendent	279	Administrator
Deputy/Assist. Supt.	159	Administrator
Other District Admin.	1,032	Administrator
Elementary Principal	1,171	Administrator
Elem. Vice Principal	170	Administrator
Secondary Principal	653	Administrator
Secondary Vice Principal	775	Administrator
Other School Admin.	394	Administrator
Elementary Teacher	31,548	Teacher
Secondary Teacher	26,298	Teacher
Other Teacher	7,416	Teacher
Other Support Personnel	3,340	Other
Library Media Specialist	1,457	Other
Counselor	2,231	Other
Occupational Therapist	379	Other
Social Worker	139	Other
Spch.-Lang. Path./Audio.	1,095	Other
Psychologist	936	Other
Nurse	512	Other
Physical Therapist	152	Other
Reading Resource Spec.	20	Other
Extracurricular	1,101	Other
Substitute Teacher	52	Teacher
Certificated on Leave	497	Depends on role when active

**From Washington State Superintendent of Public Instruction, School District Personnel Summary Profiles.*

Appendix B

RETIREE RETURN TO WORK SUMMARY FOR DECEMBER, 2002

Percentage of Rehire by Department for Members Retiring Between JULY 2001 and DECEMBER 2002

Departments having 5 or more retirements and more than a 20% rate of rehire

DEPARTMENT NAME	Retirees	Rehires		Over limit	
		Number	Percent	Number	Percent
NACHES VALLEY SD 003 JT	10	10	100.0%	8	80.0%
WHITE RIVER SD 416	9	9	100.0%	4	44.4%
PUYALLUP SD 003	57	53	93.0%	5	9.4%
UTILITIES & TRANSPORTATION COM	7	6	85.7%	0	0.0%
KIONA-BENTON CITY SD 052	6	5	83.3%	5	100.0%
DEER PARK SD 414	6	5	83.3%	0	0.0%
ENUMCLAW SD 216	15	12	80.0%	6	50.0%
KELSO SD 458	12	9	75.0%	5	55.6%
TUKWILA SD 406	8	6	75.0%	4	66.7%
ANACORTES SD 103	8	6	75.0%	2	33.3%
N THURSTON PUBLIC SCHOOLS - SD	64	46	71.9%	27	58.7%
RENTON SD 403	46	32	69.6%	18	56.3%
KETTLE FALLS SD 212	6	4	66.7%	0	0.0%
SELAH SD 119	6	4	66.7%	0	0.0%
UNIVERSITY PLACE SD 083	17	11	64.7%	7	63.6%
CAMAS SD 117	11	7	63.6%	4	57.1%
SEATTLE COMMUNITY COLLEGE	18	11	61.1%	0	0.0%
EASTMONT SD 206	18	11	61.1%	4	36.4%
NORTHSHORE SD 417	55	33	60.0%	12	36.4%
FERNDAL SD 502	20	12	60.0%	5	41.7%
LAKE STEVENS SD 004	19	11	57.9%	11	100.0%
MERCER ISLAND SD 400	21	12	57.1%	5	41.7%
YELM SD 002	14	8	57.1%	6	75.0%
GREEN RIVER COMMUNITY COLLEGE	7	4	57.1%	0	0.0%
SUNNYSIDE SD 201	7	4	57.1%	0	0.0%
SUNNYSIDE SD 201	7	4	57.1%	2	50.0%
WAPATO SD 207	7	4	57.1%	3	75.0%
BREMERTON SD 100	18	10	55.6%	4	40.0%
CORRECTIONS AIRWAY HTS CORR CT	9	5	55.6%	0	0.0%
THURSTON CO	9	5	55.6%	1	20.0%
SHELTON SD 309	9	5	55.6%	3	60.0%
GRANDVIEW SD 200	9	5	55.6%	5	100.0%
MOUNT VERNON SD 320	13	7	53.8%	1	14.3%
HIGHLINE SD 401	75	38	50.7%	25	65.8%
TACOMA SD 010	129	65	50.4%	11	16.9%
MONROE SD 103	14	7	50.0%	2	28.6%
SEDRO WOOLLEY SD 101	12	6	50.0%	4	66.7%
QUILLAYUTE SD 402	8	4	50.0%	1	25.0%
COLVILLE SD 115	8	4	50.0%	3	75.0%
STEILACOOM HISTORICAL SD 001	6	3	50.0%	2	66.7%
CLOVER PARK TECHNICAL COLLEGE	6	3	50.0%	1	33.3%
KENNEWICK SD 017	37	18	48.6%	5	27.8%
ISSAQUAH SD 411	43	20	46.5%	9	45.0%
ELLENSBURG SD 401	11	5	45.5%	5	100.0%
BURLINGTON-EDISON SD 100	11	5	45.5%	0	0.0%
PORT ANGELES SD 121	27	12	44.4%	6	50.0%
MUKILTEO SD 006	18	8	44.4%	2	25.0%
SNOQUALMIE VALLEY SD 410	16	7	43.8%	3	42.9%
STANWOOD SD 401	16	7	43.8%	5	71.4%
SEQUIM SD 323	9	4	44.4%	2	50.0%

Appendix B

Continued

DEPARTMENT NAME	Retirees	Rehires		Over limit	
		Number	Percent	Number	Percent
LAKE WASHINGTON SD 414	70	30	42.9%	18	60.0%
SUPERINTENDENT OF PUBLIC INSTR	14	6	42.9%	5	83.3%
TAHOMA SD 409	14	6	42.9%	2	33.3%
ROCHESTER SD 401	7	3	42.9%	0	0.0%
LYNDEN SD 504	7	3	42.9%	1	33.3%
EDMONDS SD 015	77	32	41.6%	11	34.4%
BELLINGHAM SD 501	36	15	41.7%	2	13.3%
OAK HARBOR SD 201	24	10	41.7%	1	10.0%
BAINBRIDGE ISLAND SD 303	17	7	41.2%	4	57.1%
BELLEVUE SD 405	60	24	40.0%	7	29.2%
AUDITORS OFFICE ST	10	4	40.0%	2	50.0%
TACOMA SD 010	38	15	39.5%	0	0.0%
SHORELINE SD 412	50	19	38.0%	12	63.2%
CLOVER PARK SD 400	45	17	37.8%	5	29.4%
INFORMATION SERVICES DEPT OF	13	5	38.5%	5	100.0%
CORRECTIONS MCNEIL ISLAND CORR	8	3	37.5%	3	100.0%
RENTON SD 403	8	3	37.5%	1	33.3%
MONTESANO SD 066	8	3	37.5%	0	0.0%
SEATTLE SD 001	225	80	35.6%	35	43.8%
EVERGREEN SD 114	58	21	36.2%	4	19.0%
MOSES LAKE SD 161	14	5	35.7%	2	40.0%
PENINSULA SD 401	14	5	35.7%	2	40.0%
TUMWATER SD 033	14	5	35.7%	0	0.0%
AGRICULTURE DEPT OF	11	4	36.4%	1	25.0%
KENT SD 415	79	28	35.4%	10	35.7%
CENTRAL KITSAP SD 401	23	8	34.8%	2	25.0%
VANCOUVER SD 037	62	21	33.9%	5	23.8%
MARYSVILLE SD 025	35	12	34.3%	4	33.3%
S KITSAP SD 402	24	8	33.3%	4	50.0%
CORRECTIONS WA STATE REFORMATO	18	6	33.3%	2	33.3%
WESTERN WA UNIVERSITY	15	5	33.3%	0	0.0%
LONGVIEW SD 122	12	4	33.3%	1	25.0%
YAKIMA CO	9	3	33.3%	2	66.7%
MOUNT ADAMS SD 209	9	3	33.3%	2	66.7%
BELLEVUE COMMUNITY COLLEGE	6	2	33.3%	0	0.0%
EVERETT PORT OF	6	2	33.3%	1	50.0%
OAK HARBOR SD 201	6	2	33.3%	0	0.0%
MOSES LAKE SD 161	6	2	33.3%	1	50.0%
WALLA WALLA SD 140	6	2	33.3%	0	0.0%
CASTLE ROCK SD 401	6	2	33.3%	1	50.0%
PASCO SD 001	19	6	31.6%	1	16.7%
AUBURN SD 408	45	14	31.1%	10	71.4%
LONGVIEW SD 122	32	10	31.3%	4	40.0%
SPOKANE PUBLIC SCHOOLS	91	27	29.7%	3	11.1%
ARLINGTON SD 016	10	3	30.0%	1	33.3%
BETHEL SD 403	35	10	28.6%	0	0.0%
EVERETT SD 002	35	10	28.6%	5	50.0%
CHENEY SD 360	21	6	28.6%	0	0.0%
COMMUNITY COLLEGE OF SPOKANE	14	4	28.6%	0	0.0%
RENTON CITY OF	7	2	28.6%	1	50.0%
HOQUIAM SD 028	7	2	28.6%	1	50.0%
WHITE PASS SD 303	7	2	28.6%	1	50.0%
SNOHOMISH SD 201	22	6	27.3%	0	0.0%
GRANT CO PUD 02	15	4	26.7%	2	50.0%
SHORELINE SD 412	11	3	27.3%	0	0.0%
OTHELLO SD 147	11	3	27.3%	2	66.7%
EPHRATA SD 165	11	3	27.3%	0	0.0%

Appendix B

Continued

DEPARTMENT NAME	Retirees	Rehires		Over limit	
		Number	Percent	Number	Percent
MOUNT BAKER SD 507	11	3	27.3%	1	33.3%
OLYMPIA SD 111	42	11	26.2%	9	81.8%
ENERGY NORTHWEST	23	6	26.1%	5	83.3%
YAKIMA SD 007	48	12	25.0%	6	50.0%
ECOLOGY DEPT OF	20	5	25.0%	2	40.0%
ATTORNEY GENERAL	16	4	25.0%	2	50.0%
CORRECTIONS WA STATE PENITENTI	16	4	25.0%	2	50.0%
ABERDEEN SD 005	16	4	25.0%	0	0.0%
EASTERN WA UNIVERSITY	8	2	25.0%	0	0.0%
ADMINISTRATIVE OFFICE OF THE C	8	2	25.0%	0	0.0%
HIGHLINE SD 401	8	2	25.0%	1	50.0%
MEDICAL LAKE SD 326	8	2	25.0%	0	0.0%
RICHLAND SD 400	25	6	24.0%	5	83.3%
SUMNER SD 320	22	5	22.7%	1	20.0%
LAKE WASHINGTON SD 414	13	3	23.1%	0	0.0%
CENTRALIA SD 401	18	4	22.2%	2	50.0%
LEWIS CO	9	2	22.2%	1	50.0%
BELLEVUE CITY OF	9	2	22.2%	1	50.0%
EVERETT CITY OF	9	2	22.2%	1	50.0%
EVERGREEN SD 114	9	2	22.2%	0	0.0%
CENTRAL KITSAP SD 401	9	2	22.2%	0	0.0%
KC METRO	70	15	21.4%	1	6.7%
PIERCE CO	14	3	21.4%	1	33.3%
TRS Employers	2,451	1,073	43.8%	428	39.9%
PERS Employers	531	172	32.4%	45	26.2%
Total	2,982	1,245	41.8%	473	38.0%

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Appendix C

Governor's Veto Message for SHB 1829

"I am returning herewith, without my approval as to sections 1 and 2, Substitute House Bill No. 1829 entitled:

"AN ACT Relating to post-retirement employment in the public employees' retirement system and the teachers' retirement system;"

This bill would impose new standards and procedures for rehiring members of the Teachers Retirement System and the Public Employees Retirement System who have retired from public employment.

I initially proposed the retire-rehire legislation in 2001 to address the shortage of qualified teachers and school administrators. Prior to this law, the Teachers Retirement System penalized experienced teachers by limiting them to 30 years of retirement service credit, even if they taught longer than that.

Section 1 would make it a felony for a member of the Teachers Retirement System to enter into an oral or written agreement to resume employment after retirement. While I appreciate the intent of the Legislature to prohibit employees and employers from entering into private handshake deals, the penalty in this section is significantly more severe than the penalty for similar acts committed by members of the Public Employees Retirement System. Therefore, I am vetoing section 1.

Section 2 would provide new standards and procedures for the future employment of retirees within the public school system. I strongly support those accountability provisions. However, section 2 would also place an artificial "lifetime limit" on the number of hours that a retired member of the system could work after being rehired, and would make that limit retroactive. The retroactive lifetime limit will place an unreasonable recruitment burden on school districts facing significant shortages of qualified teachers and principals. We must protect the ability of school districts to provide for the education of our children, and trust their locally elected school boards to properly administer the retire-rehire law. Therefore, I am vetoing section 2.

While I am not vetoing Section 4, which would make it a gross misdemeanor for a member of the Public Employees Retirement System to enter into an oral or written agreement to resume employment after retirement, I am concerned that the language of the section is flawed and therefore almost impossible to prosecute under. I believe the Legislature should consider legislation to perfect the language to make the elements of the crime clear and to place the language into RCW 41.40.055, which is the section dealing with pension fraud for this retirement system.

For these reasons, I have vetoed sections 1 and 2 of Substitute House Bill No. 1829.

With the exception of sections 1 and 2, Substitute House Bill No. 1829 is approved."

PERS Public Safety Benefits

PERS members employed in high-risk or high stress jobs have requested increased / early retirement benefits. The Joint Committee on Pension Policy (JCPP) heard in-depth analysis on this issue during the 2002 interim. The “Public Safety” report by the Office of the State Actuary was published in November 2002 (attached.)

ISSUES

- Identifying public safety workers in PERS, distinguishing them from other PERS members
- Needs of public safety workers and what benefit addresses those needs
- How much public safety workers and their employers should pay for additional benefits

Identifying Public Safety Positions in PERS

Numerous groups have sought to join the Law Enforcement Officers and Fire Fighters (LEOFF) retirement plan 2. They would be likely groups to be included in a PERS Public Safety benefit.

- County Corrections
- County PUD Line Workers
- Liquor Control Enforcement
- Gambling Commission Enforcement
- State Park Rangers
- Department of Corrections
- WPPSS Security
- Public Safety Officers
- Community Correction
- Bellingham Port Fire Fighters

However, statutory criteria are quite specific on who is eligible for LEOFF 2 membership.

LEOFF 2 Membership Criteria

	Law Enforcement Officers	Fire Fighters
Employer	Any city, town, county, district, or general authority law enforcement agency.	Any city, town, county, district, or university.
Employment	Commissioned and employed on a full time, fully compensated basis to enforce the criminal laws of Washington State.	Serving on a full time, fully compensated basis as a fire fighter.
Training	Pass civil service examination, meet specified medical and health standards, and complete Criminal Justice Training Commission basic training.	Pass civil service examination, and meet specified medical and health standards.

As LEOFF 2 membership is quite complex, the above groups propose a PERS Public Safety benefit. As illustrated in the “Public Safety” report, similar groups in other states are eligible for a public safety type benefit. In Arizona, Idaho, Iowa, and Oregon inclusion in the public safety category for these groups is not criteria-based but rather by a statutory list.

Enhanced Benefits: Earlier Retirement

PERS 2/3 allows members to retire with full benefits at age 65. Members may also retire with a reduced benefit (3% per year from age 65) at age 55 with 30 years of service. Members may also retire with an actuarially reduced benefit at age 55 with 20 years of service.

The LEOFF 2 plan allows members to retire with full benefits at age 53, with a reduced benefit (3% per year from age 53) at age 50 with 20 years service.

Questions yet to be answered:

- Who is a public safety PERS member?
- What kind of benefit?
- Amount of contributions?
- 50 - 50 employer employee cost split?
- Once a member is eligible for benefits as a Public Safety PERS employee, is there a point in their careers, such as after a promotion or change of agency, when they are no longer eligible?



Joint Committee on Pension Policy

Public Safety

November 2002

Prepared by: David Pringle

Office of the State Actuary
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360-753-9144 – actuary_st@leg.wa.gov

Study Mandate:

On December 10, 2001, the Joint Committee on Pension Policy adopted the following motion:

The Joint Committee on Pension Policy moves that the issue of providing additional public safety benefits to certain members of the Public Employees' Retirement System plans 2 and 3 be studied during the 2002 interim.

The study shall examine the creation of public safety benefits paid for by included employees and employers for periods of service in eligible positions. The study shall also examine the eligibility criteria for both entry into the Law Enforcement Officers' and Fire Fighters' plan 2 and for a public safety benefit.

The State Actuary shall report the results of the study to the JCPP at the May 2002 meeting of the Committee.

Issues:

- Is there an identifiable group of "public safety" workers in PERS?
- What criteria can be used to distinguish them from the rest of PERS membership?
- What are the needs of public safety workers, and what type of benefit addresses those needs?
- How much should "public safety" members and/or employers pay for additional benefits?

Background:

1. Benefits in PERS 2/3 and LEOFF 2
2. Membership criteria in PERS 2/3 and LEOFF 2
3. Comparison of groups who have sought LEOFF membership to criteria

1. Benefits in PERS 2/3 and LEOFF 2

The Public Employees' Retirement System, plans 2/3 provide for full retirement benefits at age 65. Early retirement is available beginning at age 55 with an actuarial reduction from 65, and members with 30 years of service may early retire with a 3 percent per year reduction factor.

The Law Enforcement Officers' and Fire Fighters' Retirement System, plan 2 provides for full retirement benefits at age 53. Members may retire at age 50 with an actuarial reduction from 53, however a 3 percent per year early retirement reduction factor is available for early retirees with twenty years of service beginning at age 50.

Membership in the Law Enforcement Officers' and Fire Fighters' Retirement System is restricted by criteria established by the legislature, including some specific exclusion of members by several portions of statute. The membership criteria of each of the PERS plans 2/3 and LEOFF plan 2 are discussed in further detail below.

Why do police and fire fighters often have different benefits than other groups of public employees? Many groups of PERS employees argue that their jobs share some characteristics with police and fire fighter employees, and that they should be able to retire at similar ages to LEOFF members, rather than the age of other public employees in PERS whose jobs do not have those traits.

A separate system or sets of benefits for police officers and fire fighters is common throughout the United States. Historically police and full-time fire fighters began to receive pension coverage from large city employers in the early 1900's, and by about 1910 most were covered. In comparison, it was twenty years or more later before nonuniform employees began to be covered in significant numbers by similar employers. From their very beginning, the police and fire plans provided for retirement at lower ages and with relatively higher benefits.

Lower retirement ages are the major characteristic of retirement systems for uniformed personnel (i.e., military, police, fire) that differ from general public employee plans. Retirement after 20 or 25 years of service, and often more generous disability and death benefits are typical. The bases of this difference may be one or all of the following:

- Members may be unable to perform all of the duties of their job as long as those in other types of employment. The physical abilities necessary to perform those activities required by the employment diminish as a person ages.
- The Constant potential of physical danger and mental anxiety reduce the effectiveness of persons over time.
- Earlier retirement is part of their traditional benefits package.
- The public, not just the employer, relies on their ability to do the job.
- Importance of public perception of a vigorous and capable front-line police/fire force.

Certainly these assumptions are arguable but, nevertheless, may contain elements of truth.

2. Membership criteria in PERS 2/3 and LEOFF 2

The Public Employees' Retirement System plans 2/3 provide the broadest eligibility rules of the Washington State retirement system plans. All regularly compensated employees and appointed and elected officials of included employers first employed on or after October 1, 1977 are members of PERS plan 2/3 unless they fall into the specific exceptions from membership listed in RCW 41.40.023.

In effect, if employees work enough to meet the requirements eligibility of five months of 70 or more hours, are not members of another Washington State or local plan, and who do not fall into one of the narrow categories in RCW 41.40.023's list, then they are in PERS 2/3.

The Law Enforcement Officers' and Fire Fighters' Retirement System, plan 2 in contrast to PERS 2/3 is tightly limited to specific employers and only certain full-time employees of those employers.

From October 1, 1977 through December 31, 1993, LEOFF 2 membership was limited to persons whose employers were "the legislative authority of any city, town, county, or district or the elected official of any municipal corporation that employs any law enforcement officer and/or fire fighter." RCW 41.26.030 (2)

Membership was further limited to those employed as:

- a. fire fighters serving in a full time, fully compensated position which required passing a civil service examination; and
- b. law enforcement officers who were either commissioned and employed in a full time, fully compensated position to enforce the criminal laws of the state or successfully completed a civil service examination for deputy sheriff or a similar position.

On January 1, 1994, membership in LEOFF 2 as it pertains to law enforcement officers was expanded to include those employed by a "general authority law enforcement agency." This removed the limitation of LEOFF membership to political subdivisions of the state. Membership was now open to any agency of a political subdivision or state agency other than the State Patrol, if it has

"a primary function to detect and apprehend persons committing infractions or violating the traffic or criminal laws in general." RCW 41.26.030 (32)

With this inclusion, members of the following law enforcement departments prospectively became members of LEOFF 2:

Central Washington University	Port of Pasco
Eastern Washington University	University of Washington
Evergreen State College	Washington State University
Port of Seattle	Western Washington University

"Limited authority law enforcement agencies" are not included in LEOFF 2 membership. They are described in statute as those having among other roles, the function of apprehending or detecting of persons who committed infractions or violations of traffic or criminal laws related to their subject areas. The following agencies are specifically named in RCW 41.26.030 (32) as examples of such agencies:

Department of Natural Resources	Dept. of Social and Health Services
State Gambling Commission	State Lottery Commission
State Parks and Rec Commission	Utilities and Trans. Commission
State Liquor Control Board	State Department of Corrections

The 1994 expansion of the definition of "employer" included only "the governing body of any other general authority law enforcement agency." It did not expand the definition of "employer" for fire fighting agencies.

In 1996, the definition of employer for firefighters was amended to include the Washington State University fire department.

In the 2000 Legislative session, the retirement age in LEOFF 2 was reduced from age 55 to age 53. A three percent per year early retirement reduction factor was also introduced for members at age 50 with 20 years of service. In the 2001 Legislative session, the LEOFF plan 2 disability age was reduced from 55 to 53 to match the reduction in the retirement age made in 2000.

In the 2002 Legislative session the enforcement officers of the Department of Fish and Wildlife were given general law enforcement authority and the agency was made a general authority law enforcement agency, however like the Washington State Patrol, the enforcement officers were specifically excluded from participation in LEOFF 2.

3. Comparison of groups who have sought LEOFF membership to criteria

Each year different groups of PERS members contact the legislature about becoming members of LEOFF plan 2. While current statutes are clear about who is eligible for membership in LEOFF plan 2 and who is not, they provide little supporting policy to guide decisions about the membership of other groups. One likely motivation of such PERS member inquiries is the difference between the normal retirement ages in PERS, 65, and LEOFF plan 2, 53. If this is among the most important reasons that groups seek to move from PERS to LEOFF plan 2, the creation of a "public safety" category within PERS plans 2/3 might be an intermediate alternative to accomplish the goal of a lower retirement age.

As discussed in the background provided earlier in this report, both historical events and public expectations about police officers and fire fighters provide some information about why the benefits for some uniformed public safety personnel are different than those provided to other public employees.

Analysis:

1. Who are public safety workers?
 - a. Is a public safety category or plan needed?
 - b. Could a new definition be crafted to identify the group?
 - c. Can criteria be used to qualify for a public safety PERS category?
 - d. Alternates to criteria
2. What changes might address the conditions of public safety workers?
3. How should prior service by public safety workers be treated?

4. What are the costs related to moving groups into LEOFF 2 or a public safety plan?
5. What are some other states approaches to public safety benefits?
6. Possible approaches

1. Who are public safety workers?

While the groups generally identified as "limited authority law enforcement" and similar types of employees who have in the past argued for inclusion in LEOFF plan 2 might be a starting point in considering as candidates for a public safety category, what employee characteristics are important and who certain employment traits might implicate are part of the JCPP study mandate.

a. Is a public safety category or plan needed?

An enhanced tier of benefits within PERS plan 2/3 or a separate public safety plan presumably would provide benefits for the included groups to better fulfill the objectives of the Washington State Retirement Systems.

The policy objectives the Washington State Retirement Systems are infrequently reviewed. The Joint Committee on Pension Policy reviewed a summary of the objectives during the 1993 Interim. Policies to be observed in making changes to current plans included:

- Sufficient income after leaving workforce should be from a combination of Social Security, retirement benefits, and employee savings.
- Employees must take responsibility for insuring they have sufficient income after retirement.
- Retirement benefits are intended to provide income after leaving the workforce.
- Employees who vest and leave should be provided reasonable value toward their ultimate retirement for their length of service.
- Retirees should have flexibility in the form and timing of benefits.
- Plan should be as neutral as possible regarding employees' changing careers or employers, keeping employees in stressful jobs, and neither encouraging or discouraging early retirement.

With the objectives as identified by the JCPP in 1993, or as they may be refined, public safety employees should in some way not be served by PERS plan 2/3 membership in comparison to other plan members.

The notion of creating different benefits for public safety workers may contain several related components or assumptions. One is that there is a group of workers that by some method can be selected for inclusion from the general group of PERS plan 2/3 employees. Another is that there is a reason or reasons that these selected workers should have a lower retirement age - this could be the same for all public safety workers, or even different for different types of employees who might be included.

Among the most common reasons put forth is that public safety jobs are more dangerous, and that employees cannot continue to perform their required tasks at older ages.

- ***Do public safety jobs have distinct characteristics - danger, stress, or others?***

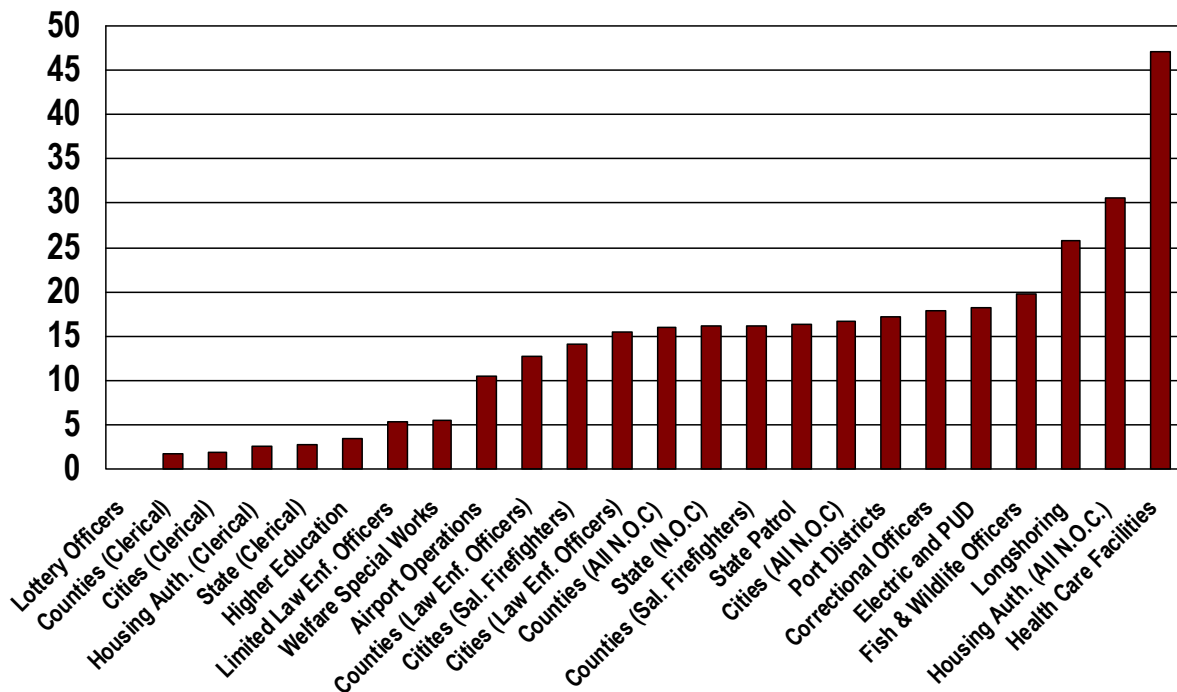
Danger

That some employees are exposed to higher degrees of danger or stress are among the most common reasons put forth for inclusion in public safety-type plans. What makes a job dangerous? One indication that a job is dangerous is the rate of work-related injury suffered by employees who perform that job.

Taken in total, state and local government workers suffer fewer work related injuries than those in most other major industrial categories, for example workers in the retail, wholesale, or agriculture industries¹. But unlike some individual employers or even industries, state and local government in total provides a wider range of services, and workers perform a wider variety of tasks, than perhaps any other category.

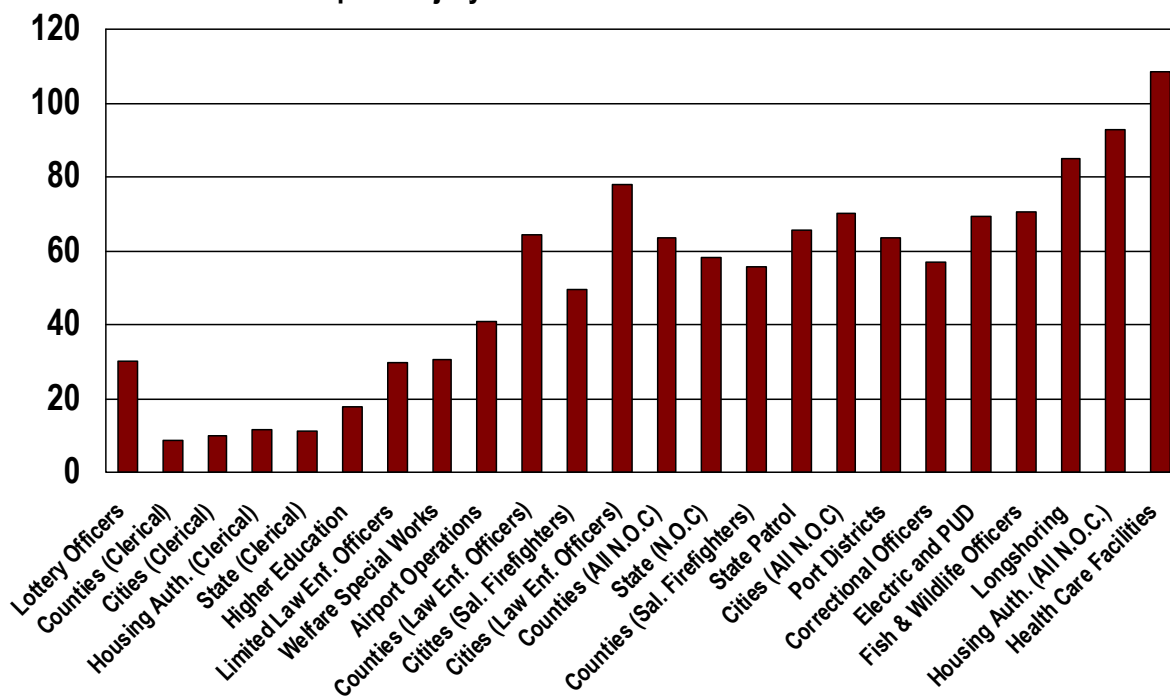
How do some jobs performed by state and local governments that are considered to have public safety characteristics compare in rates of work-related injury? The following two charts illustrate the rates of compensable, or more serious, and non-compensable State Fund claims for Labor and Industries benefits for every 100 full time employees between 1998 and 2001.

Labor and Industries State Fund Comensable Claims Per 100 FTE's – 1998-2001



¹ Washington Department of Labor and Industries, 2000 Washington Occupational Injury and Illness Summary.

Comensable and Non-Compensable State Fund Labor and Industries Workplace Injury Claims Per 100 FTE's – 1998-2001



Note: Appendix 5 contains a description of the risk sub-classes included in these charts.

This data is limited in several ways, however, and should not be interpreted as more comprehensive in nature than it is. Only State Fund claims, and not claims made to self-insured employers are included here. There are many employers, both public and private that self-insure, and might illustrate different patterns if they could be similarly compiled. These charts also do not attempt to address the types of injuries, or other related categories of information.

For one point of comparison, some of the riskier private sector state fund rates for 2001: Total case rate: logging 57.6, and roofing 51.3. Compensable rate: Logging 28.6 and roofing 20.6. If a similar rate for 2001 was experienced in these private sector sub-classes over the four years shown in the charts, logging would produce a total case rate of about 230, and a compensable rate of 114 for the four years, more than twice that of the highest risk sub-class displayed.

However, higher or lower rates of work-related injury alone do not demonstrate that a job is more hazardous for older workers than younger ones, nor demonstrate that the danger of a job is not accounted for in higher rates of pay. A description of the risk sub-classes that are used in the tables is included in the attachments at the end of this report.

Stress and Life Expectancy

Some jobs are more stressful than others. Comparison, however, is even more difficult than in the case of danger. One argument put forward is that jobs with elevated stress levels cause employee "burn out," shortening careers and creating other negative effects. Burn out is very hard to quantify, however.

Some also assert a relationship between job stress and reduced life expectancy for workers². This is not as hard to quantify, as analysis of the average age of death of workers in different categories is available from PERS and LEOFF, as well as from other systems, plans, and states. However do the demands of different jobs actually reduce the life expectancy of certain workers?

One indicator is the difference in Life Expectancy examined every 5 years in the Actuarial Experience Study for PERS, TRS, SERS, LEOFF, and WSP. A Mortality Table is developed by the Society of Actuaries using combined national data. Every 5 years, assumptions about the demographics of the Washington State systems are reviewed by the using the data generated from actual member and retiree experience here, and any necessary adjustments to the Mortality Table produced by the Society are developed to ensure the best possible accuracy of the demographic assumptions for the ensuing years.

Life Expectancy, Results of the 1995-2000 Actuarial Experience Study

Mortality Table				
Age	UP 94		RP 2000	
	Old Assumptions		New Assumptions	
	Male	Female	Male	Female
30	48.6	53.1	48.7	52.1
40	39.0	43.4	39.1	42.3
50	29.6	33.8	29.7	32.8
60	20.9	24.6	21.3	23.9
70	13.6	16.5	13.7	16.0
80	8.0	9.8	7.7	9.6
90	4.4	5.2	4.1	5.3

Based on the experience of the members and retirees, current assumptions are that there is little difference in life expectancy between PERS and LEOFF. This is illustrated in the "Age Adjustments" table above from the 1995-2000 Actuarial Experience Study.

² For example, the Public Employees' Retirement System of Idaho incorporated a policy of shortened life expectancies into public safety eligibility determination. Subsequent studies have shown, however, that little or no shortened life expectancy among the included groups has occurred.

Age Adjustments by System, Results of the 1995-2000 Actuarial Experience Study

System	Mortality Table			
	UP 94		RP 2000	
	Old Assumptions		New Assumptions	
	Male	Female	Male	Female
PERS	0	0	0	0
TRS	-3	-1	-2	-2
SERS	0	0	0	-2
LEOFF	1	1	0	0
WSP	1	1	0	0

The prior assumption was that for purposes of examining a persons mortality expectations, members of LEOFF and the Washington State Patrol should be considered to be one year older than members of PERS. The new assumption produced by a review of the actual experience of members in the Actuarial Experience Study removes that one year adjustment from the new mortality assumptions developed by the Society of Actuaries. One inference from this is lower retirement ages in LEOFF plan 2, and perhaps other jobs that share characteristics with law enforcement officers and fire fighters, may not be well founded on a basis of reduced life expectancy.

Duty to protect others from imminent harm

In some sense distinct from danger to the workers doing a particular job, some jobs have an important aspect of protecting others from imminent harm. While many jobs have elements of protecting the public from dangerous conditions, some have the added element of requiring members to place themselves in between an imminently hazardous condition and the public.

The duty to protect others from imminent harm is a difficult characteristic to quantify or identify in an objective manner, but is a policy occasionally expressed in association with public safety benefit programs³. Aggregate data on work-related injuries or deaths will not necessarily connect injuries to the unique duties to protect others from imminent harm. Such jobs could have other components that are the source of some, or even most of the workplace injuries or deaths.

- ***Are public safety jobs more difficult to perform at older ages?***

While one job may be more dangerous than another, it does not necessarily follow that the job is more dangerous for older workers than younger. If it is the dangerous nature of the job that indicates an earlier retirement age, then should the type of hazard be one that increases for older workers?

³ See as an example of law enforcement officers' duty to protect citizens from imminent danger, Schear v. Board of County Comm'rs, 101 N.M. 671, 687 P.2d 728 (1984).

One element of this question is related to the chance of occupational injury and the age of the worker. The National Institute of Occupational Safety and Health (NIOSH) studies such questions, and provides data on occupational injuries, both fatal, and those serious enough to require treatment in emergency departments.

National annual rate of fatal occupational injuries by age group, 1980–1995

Age group (years)	Distribution (%)	Rate per 100,000 workers
16 - 19	3.7	3.36
20 - 24	10.8	4.82
25 - 34	25.9	4.85
35 - 44	21.6	4.66
45 - 54	17.0	5.33
55 - 64	13.5	6.94
65+	7.4	13.62

The most frequently expressed goal of groups aspiring to membership in LEOFF or a public safety benefits category is a lower retirement age than is offered in PERS plan 2/3. Do job functions get more difficult to perform at older ages, and can this difficulty be objectively measured?

Do occupational fatality rates suggest a relationship between age and fatal occupational injury? National data of all workers from NIOSH suggests that the rate of fatal occupational injury increases slightly with age. About 65% of occupational fatalities occurred in the 25-54 age groups, though about two more fatalities per 100,000 workers were found in the 55-64 age group than the 35-44 group.

**National rate of nonfatal occupational injuries
treated in emergency departments,
by age and sex, 1998**

Age group (years)	Male Workers	Female Workers
16 - 17	6.4	3.9
18 - 19	7.8	3.9
20 - 24	6.4	3.2
25 - 34	4.5	2.3
35 - 44	2.9	1.9
45 - 54	2.0	1.5
55 - 64	1.7	1.4
65 - 74	1.4	1.3
> 75	1.2	1.3
All ages	3.4	2.0

There are many more nonfatal occupational injuries than fatal ones each year. For 1998, NIOSH found the highest rates among younger workers, with workers suffering fewer injuries than the overall average in all age groups above 35.

- ***Do older workers continue to perform the public safety duties with distinct characteristics?***

Though an employer may have dangerous tasks that must be performed by employees, do older workers continue to perform those tasks? Personnel issues associated with what duties are performed by individual employees is another element to consider in analyzing the risks faced by groups of employees.

Jobs offer different opportunities to move into supervisory or less stressful or dangerous positions during a career. If an older worker is less likely to perform those elements, then the need for a lower retirement age in those jobs might also be less.

From the characteristics that may be identified with public safety jobs, different methods could be used in statute to identify groups for inclusion in the public safety category, including creation of definitions, criteria, or description in statute of included employee groups.

b. Could a new definition be crafted to identify the group?

LEOFF plan 2 uses a three-part definition, discussed above, to identify individual members and employers for inclusion in the plan. Using the existing LEOFF 2 criteria, the Department of Retirement Systems can determine who qualifies as a law enforcement or fire fighter member and who does not. Could a set of criteria be developed to similarly identify public safety employees?

In an important sense, the problem of a definition for the public safety workers, and associated criteria is very different than for LEOFF plan 2. This is because the ideal of what constitutes a regular police officer or a full-time fire fighter is known. In contrast, we do not know what an ideal non-police or non-fire fighter public safety employee is.

One definition for public safety members was suggested to the JCPP during the 2001 legislative interim:

"Persons employed full time at any state agency, political subdivision, or unit of local government in the state of Washington directly responsible for protecting the public, including, but not limited to, correctional officers, fish and wildlife agents, park rangers, liquor control enforcement officers, and gambling commission investigation officers."

Would any definition have to also contain explicit exclusions, just like LEOFF plan 2 to remove ambiguity?

c. *Can criteria be used to qualify for a public safety PERS category?*

The creation of criteria that might be applied to PERS members to indicate inclusion in a public safety plan or category within PERS poses a particularly difficult challenge.

Some criteria that might be used include:

1. Responsibility to provide public protection of lives and property as a general duty of the job.
2. High degree of physical risk to one's own personal safety.
3. Authority and power to arrest, either limited or unlimited.
4. Passage of a civil service exam or equivalent.
5. Completion of CJTC basic law enforcement training course.
6. Authority or a requirement to carry a firearm.

Some of these criteria, such as danger, stress, and life expectancy are discussed above, and may not be useful identifiers on a statistical basis. A policy decision could be made on the importance of certain types of dangers that workers might encounter. Listing employees exposed to those dangers could form the basis for inclusion in a public safety group.

The existence of any of the criteria chosen could be made statutory requirements exclusively, or could be left to requirement by rule or employer policy. Less certainty in requirements at the legislative level would create additional uncertainty in the scope of membership and cost, however.

d. *Alternates to criteria - inclusion by statutory description of employee class, by employer, or by other existing categorizations.*

Criteria, no matter how carefully created, may not include some groups desired or inadvertently include other groups that are not intended. Interpretation of criteria, or changes in jobs performed by employees subsequent to the establishment of criteria might also add unexpected numbers of employees to a public safety benefit tier, creating unanticipated costs.

An alternative is that members could be included in the public safety category by statutory lists, as is done in several of the other states examined below. Lists could be constructed using different elements identifying particular employers, employees, and duties or qualifications.

2. What changes might address the conditions of public safety workers?

Depending on who public safety members are and what makes them eligible, different types of changes might best address their needs. In most cases both defined benefit and defined contribution approaches might be used to accomplish the changes, but would have different advantages, disadvantages, and costs depending on the approach.

Keeping in mind the policy objectives of the state retirement systems discussed above, and a lower retirement age being the main goal, the following are illustrations of some advantages and disadvantages of different approaches:

a. *Retirement at an age reduced from the standard PERS plan 2/3 ages.*

Example: a public safety PERS retirement age of 60 is created

A reduced retirement age for public safety members is arguably best supported where members cannot perform the job beyond a certain age due to danger, stress, reduced ability to protect the public or some other concerns.

As a part of PERS, however, how does such a model accommodate members who began their public safety careers at older ages or members who worked in non-public safety positions earlier in their careers but not later?

b. *Retirement after a career in a public safety position at reduced ages.*

Example: public safety employees with 25 years of public safety service may retire at age 60

This recognizes that certain public safety jobs have important age-related characteristics, but also requires earning a substantial benefit in public safety jobs in PERS plan 2/3. For example, a reduced retirement age might be available to members who have 25 or 30 years of service in public safety category PERS positions.

If additional contributions are required from employees, should employees who serve only a portion of their career in public safety positions also contribute to the public safety benefit cost?

c. *Reduced retirement age for years of service in a public safety position.*

Example: each year of public safety service reduces retirement age by 1 month

Essentially, this is an item of additional compensation. Whether a person works in a public safety position early in their career, later in their career, or for their entire career, their PERS plan 2/3 retirement age will be reduced for periods served in public safety positions.

d. *Improved early retirement reduction factor for members in public safety positions*

Example: public safety employees may retire after 25 years of service with a 3% per year reduction from the PERS 2/3 normal retirement age

Similar to the idea of allowing early retirement at a lower age after sufficient number of years in public safety positions. The use of improved early retirement reduction factors (ERRFs) could provide a somewhat smaller benefit than a reduced normal age, but perhaps could be extended to more members in more situations.

An improved ERRF was implemented by the 2000 legislature for both LEOFF plan 2 and PERS 2/3, in the later case a 3% per year ERRF was made available to members beginning at age 55 with at least 30 years of service.

e. Disability as an alternative to additional public safety retirement benefits.

An examination of disability benefits is outside the scope of this study. The connection of disability benefits to the actual inability of individuals to perform their jobs to the normal retirement age is natural, but is not a part of the plans 2/3. Within the plans 2/3 of the Washington State Retirement System disability enables one to access their earned retirement benefit with an age adjustment. The worker's compensation system, is the source of compensation for workers injured on the job, rather than the retirement benefit.

Substantial change from the earned retirement benefit for disability would involve considerations of many additional broad topics such as standards of disability, determination and appeals processes, benefit levels, coordination with other disability benefits and more.

f. Additional "bridge" benefits to account for loss of earning power between end of public safety career and PERS plan 2/3 retirement age.

If one of the goals of the Washington State Retirement Systems is to provide income after leaving the workforce, one approach could focus on the typical degree of participation in the workforce between the PERS plan 2/3 retirement age and any reduced age that might be adopted for a public safety benefit. If some workforce participation is typical during this period, then perhaps some sort of partial or "bridge" benefit between these ages might be appropriate to replace lost earning power.

3. How should prior service by public safety workers be treated?

A difficult issue associated with the creation of a public safety benefit in PERS is retroactive application. The issues are very similar to those raised in discussions of moving groups from PERS plan 2 into LEOFF plan 2.

If members are able to count only service earned after their entry into a new plan or tier towards that new plan's formula, essentially using the dual-membership approach provided for in Chapter 41.54 RCW, then those members who are nearing retirement benefit little from the change over the last portion of their careers.

On the other hand if the members are able to count past service accumulated under a lesser benefit package with lower contributions towards a higher benefit formula, then a cost for the past service develops, as may other effects. Depending on the change in the level of benefits for past years of service, the cost of the retroactive service varies. For a large change in retirement age, for example from the PERS plan 2 age of 65 to the LEOFF plan 2 age of 53, the cost for an average member has been calculated generally as follows:

Example #2: Employee transfers past PERS 2 service to LEOFF 2:

1. Employee Costs

Employee contributions had member been in LEOFF 2	\$ 79,600
Less: Employee contributions transferred from PERS 2	<u>-47,000</u>
Additional member contribution required	\$ 32,600

2. Employer Costs

Total assets required so transfer will not affect LEOFF 2 contribution rate	\$ 194,900
Employee Contributions <i>(with additional member contribution)</i>	<u>-79,600</u>
Employer Contributions had member been in LEOFF 2	\$115,300
Employer contributions transferred from PERS 2	<u>-28,100</u>
Additional employer contribution required	\$ 87,200

What policies might be considered in permitting prior service in PERS to be counted as public safety service?

- Was the member's inclusion in the public safety benefits tier optional, or mandatory to the individual employee?
- Has the nature of the job indicated for inclusion in the public safety category changed over time, if so, when did the job characteristics indicating inclusion arise?
- How will retroactive service credit affect an employer's staff overall?

Past changes in statute have taken several approaches in dealing with prior service when members were moved from PERS 2 to LEOFF 2, or PERS 2 to the Washington State Patrol Retirement System. These may serve as examples for terms of transfer to a public safety category for PERS 2/3.

In 1993 the legislature enacted ESHB 1744, adopting the general authority/limited authority law enforcement officer membership criteria in LEOFF 2. Peace officers employed by universities and port districts became law enforcement members of LEOFF, and were given the opportunity to transfer past non-LEOFF service as general authority officers from PERS. The ports and universities were required by the act to pay both the employer and state portions of the LEOFF 2 contribution rate.

Employees choosing to transfer were required to pay the difference in contributions, plus interest, that they would have made had they been in LEOFF rather than PERS for the service being transferred. Employers were required to pay the difference between the employer contributions, plus interest, plus an amount that ensured the contribution rate for other LEOFF 2 members did not increase as a result of the transfer.

In 1993 the legislature also prospectively included individuals serving as "public safety officers" in cities with populations of ten thousand or less in LEOFF plan 2. The change to RCW 41.26.030 was limited, however, to individuals whose job duties substantially involve only police and/or fire duties, and not other duties as well. There was no opportunity provided for past service credit in PERS to be moved into LEOFF.

In 1996 institutions of higher education with fully operational fire departments on January 1, 1996 were made eligible LEOFF employers for fire fighters. Similarly to the admission of the university police in 1993, members were given the opportunity to transfer eligible past service by paying the difference in contributions, plus interest, that they would have made had they been in LEOFF rather than PERS, and their employers had to pay the difference between the employer contributions, plus

interest, plus an amount that ensured the contribution rate for other LEOFF 2 members did not increase as a result of the transfer. Just as for their law enforcement members, the port or university employers pays both the employer and state portions of the LEOFF 2 contribution rate.

Most recently, the 2002 Legislature permitted certain State Patrol Officers who were Commercial Vehicle Enforcement Officers, but who went through additional training and became fully commissioned State Patrol Officers the opportunity to move past service from PERS 2 to the WSPRS. Those troopers electing to transfer service were required to pay the difference between the plans in member and employer contributions, plus interest.

4. What are the costs related to moving groups into LEOFF 2 or a public safety plan?

An important part of past discussions about inclusion of additional employees and employers in LEOFF 2 revolve around cost. The cost that might be incurred by moving a group of employees can vary on the basis of policy decisions that are made associated with the transfer, and the number of employees that are consequently able to move into LEOFF2.

Most straight forward is the number of persons that are involved in the transfer. Presumably any group that might be included in LEOFF 2, or in a new public safety group of some other type, will be of a know number of members with salaries and other characteristics that can be determined.

PERS plan 2 and LEOFF plan 2 Contribution Rates, as of July 1, 2002

Plan	PERS Plan 2	LEOFF Plan 2	Difference
Member	0.65%	4.39%	3.74%
Employer/State	1.10%	4.39%	3.29%

Contribution rates to both PERS 2 and LEOFF 2 during the 2001-03 biennium are at historically low levels. Currently the difference in employer contribution is 3.29 percent, however the difference in employee contributions (equal to the difference in employer plus state contributions) is 4.33 percent of pay between PERS 2 and LEOFF 2.

The standard contribution system for LEOFF plan 2 requires the state to make 20 percent of the total contribution funding a employee's accumulated service credit. In the event of a local government employee that moves from PERS 2 to LEOFF 2, for example, the state government would be required to make a contribution for the LEOFF 2 employee when no contribution would be required for PERS. As of July 1, 2002, that additional state contribution is 1.76 percent.

The difference in the normal cost of benefits, a term used to describe the cost of funding a year of benefits in a plan if over the long term investment returns are at the assumed rate, is a good way to compare the cost of benefits in LEOFF plan 2 and PERS plan 2. The normal cost in LEOFF 2 is about 16.4 percent, and the normal cost in PERS plan 2 is about 8.8 percent.

Employer or state bears additional "employer" cost?

Several groups that have been moved from PERS 2 to LEOFF 2 have moved under terms that required their employers to pay both the employer and state portions of the LEOFF 2 contribution. These include port districts and institutions of higher education that have law enforcement and fire fighter LEOFF plan 2 members. These circumstances are discussed along with prior service issues above.

Moving into a public safety plan

Unlike LEOFF 2, there are no fixed costs for transfer of members from PERS 2/3 into a public safety plan or tier within PERS. The cost would vary depending on the size and type of additional benefits, and for employers also by the size of the participating group.

During the 2000 legislative interim, the JCPP briefly reviewed ideas about the creation of public safety benefits at the November committee meeting. The document presented compared estimated costs of several variations of a public safety benefit.

Using a defined benefit approach, two examples of supplemental benefits providing a reduced early retirement reduction factor(ERRF) at a younger age than the rest of PERS plan 2/3 (30 years of service) were described:

1. 3% ERRF at age 55, 25 years of service - approximate 1% additional contribution rate from employer, plus 1% additional contribution rate from the employee if a member of plan 2.
2. 3% ERRF at age 55, 20 years of service - approximate 2% additional contribution rate from employer, plus 2% additional contribution rate from the employee if a member of plan 2.

Using a defined contribution approach, two examples of supplemental benefits providing an additional defined contribution that could be used to "purchase" an improved early retirement reduction factor of these amounts:

1. 3% ERRF at age 60 - Approximate additional contribution rate: 5%.
2. 3% ERRF at age 62 - Approximate additional contribution rate: 3.5%

5. What are some other states' approaches to public safety benefits?

A different approach to the retirement coverage of public employees, police and fire fighters, and specialized groups of each is taken in almost every state. In response to requests by the Joint Committee on Pension Policy to compare Washington to the approaches of other states, information on several neighboring states, Idaho and Oregon, as well several other medium-sized states with a variety of statewide pension systems is provided. This is not intended to be a comprehensive look at the approaches of all states, or all plans, but rather a description of several different ways that the issue of coverage of public safety employees is addressed.

State	Categories or Tiers	Retirement Age	Contribution EE / ER	Who determines membership?
Washington PERS LEOFF	- General - Police/Fire (narrow)	- Age 65 - Age 53	0.65%/1.10% 4.39%/4.39%	Department evaluates narrow criteria
Idaho PERS	- General - Police/Fire (broad)	- Age 65, Rule 90 - Age 60, Rule 80	5.9%/9.8% 7.2%/10.0%	Statutory list of included pub. safety groups
Oregon PERS	- General - Police/Fire (broad)	- Age 60 or 30 yrs. - Age 55 or 50+25 yrs.	6% / ~ 9.2% 6% / ~ 12.4%	Statutory list of included pub. safety groups
Nevada PERS*	- General - Police, Fire (narrow)	- Age 65 or 30 yrs. - Age 50+20 yrs. or 30 yrs.	9.4% / 9.4% 14.3% / 14.3%	Board and staff evaluate narrow criteria
Iowa PERS	- Regular - Protect. Occ. - Sheriff/Fire	- 30 yrs. - 24 yrs. - 22 yrs.	3.7% / 5.8% 5.9% / 8.9% 5.6% / 8.4%	Statutory list of included pub. safety groups
Arizona PERS	- General - Public Safety - Corrections	- Age 65+Rule 80 - 20 yrs. - 20 yrs.	2.0% / 2.0% 7.7% / 4.2% 8.5% / 1.9%	Statutory list of pub. safety groups

*Nevada PERS is exempt from Social Security.

All states deal with the issue of non-police and fire fighter public safety pension benefits. Many have attempted to establish a system of including positions within police and fire fighter plans, or in a public safety "tier" of their general public plans on the basis of the danger in serving in the positions. The determinations of dangerousness are sometimes made by the state legislatures, the state administrative agencies or boards, and sometimes both.

For example, Massachusetts places groups of employees into the "Group 4" of their public employees retirement system based solely on the life-threatening aspects of their jobs. "Group 4" contains police and fire fighters, but has grown to include corrections officers and most recently senior district attorneys. Illinois officially uses a standard of "physically dangerous position" for inclusion into public safety plans, with the determination for eligibility made by the state legislature. Recently, Illinois department of transportation highway workers were added to their public safety plans. New York has adopted an approach of many different sub-categories for public safety workers within their general public employees plan, rather than having a separate plan or inclusion in police and fire plans.

Set forth below is a more detailed look at the approaches of Idaho, Oregon, Nevada, Iowa, and Arizona. The five states provide examples of a variety of approaches by states to providing benefits to public employees generally, police and fire fighters, and other state public safety employees.

Idaho Public Employees' Retirement Systems

The Public Employees' Retirement System of Idaho (PERSI) covers both general public employees, as well as statewide public safety and police officers' and fire fighters that first became members since 1980. The intent of the PERSI public safety categories are to include positions where the nature of the work is proven to shorten life expectancy as compared to the general membership.

PERSI provides different retirement and early retirement ages for regular public employee members and "police officer/fire fighter" members, and also different contribution rates. Many "public safety" groups are included within the Idaho Police/Fire tier. For example, in 2001 the general member contributed 5.86% of pay and the police/fire member contributed 7.21% of pay. Employer rates differed by a similar margin.

Idaho Public Employee Retirement Eligibility: Retirement at age 65, early retirement at age 55. Retirement also available under a "Rule of 90."

Idaho Police/Fire "public safety" eligibility: Retirement at age 60, early retirement at age 50. Retirement also available under a "Rule of 80."

Many employees that are not police officers are given police officer status for purposes of retirement benefits in PERSI. When an employee enters or leaves a police or fire officer status position, their employer submits certification to the plan administrator regarding the change in status.

While the Idaho "police officer" includes many groups that LEOFF plan 2 does not, the definition used in PERSI for "fire fighter" appears similar to that used in Washington State. The decision on whether a position qualifies is decided by petition under the rules to the board, however in effect the Idaho system essentially requires proponents to have the legislature amend the applicable statutes to include the new positions.

Employees included under PERS Idaho police officer category	Employees included under the PERS Idaho fire fighter category
Senior administrators of the dept. of law enforcement and police services division. Commissioned state police officers Alcohol beverage control enforcement officers Brand inspectors and supervisors County Sheriffs and qualified deputy sheriffs City Police Chiefs and qualified city police officers Dept. of Fish and Game enforcement officers Senior administrators of the dept. of corrections Corrections officers and corrections officer instructors	Employees whose primary occupation is preventing and extinguishing fires The Fire Chief of a city Chief Fire Warden of a timber protective assoc. <u>NOT</u> employees with fire fighting as a secondary or occasional requirement of a position

Employees included under PERS Idaho police officer category	Employees included under the PERS Idaho fire fighter category
Probation officers, investigators, and supervisors Adjutant general and military division employees District Court magistrates and security personnel Paramedics and paramedic trainees Attorney General's and Prosecutor's investigators Retirement Board designated employees in principally "hazardous law enforcement duties."	

If an employee works part of their career in a position included within the "police officer status" category for the PERSI and part in positions in the general public employee category, their retirement age, early retirement age, and "Rule of 80-90" are calculated on the basis of the ratio of months of service in a "police officer status" position to total months of service. For example, a person with about half of their service in a police status position might end up with a retirement age of 63, an early retirement age of 53, and a "Rule of 85."

Oregon Public Employees Retirement System

Like Idaho, general Tier 2 public employees and police officers and fire fighters are part of a single retirement system. The standard defined benefits (an important qualification, as Oregon PERS offers alternative annuity benefit programs) differ depending on whether a member falls into the general or police and fire categories of membership.

Member contributions in Oregon PERS are statutorily set at 6 percent of pay, regardless of membership in the general or the police and fire plan. Depending on their employer, they may be made by the member either before or after tax, or paid in part or in full by their employer.

For employer contributions Oregon PERS calculates a blended rate based on individual employer experience and the mix of general and police and fire members they employ. On an employer share of normal cost basis employers pay about 9.2 percent for general plan members and 12.4 percent for police and fire members. Depending on accumulated surplus or debt, an amortization rate may increase or decrease that amount.

The overall contribution rate for school districts was 12.7 percent of Oregon PERS-covered employee payroll and the rate for state agencies about 9.5 percent. Broken out separately by plan and illustrating the degree of employer variation, Portland pays about 10.1 percent of pay for police and fire members and about 7.6 percent for general employees and Eugene pays about 15.2 percent for police and fire, 12.3 percent for general employees.

Oregon Tier 2 Public Employee Retirement Eligibility: Retirement at age 60 or after 30 years of service, early retirement with reduced benefits after 55 with less than 30 years.

Oregon Police/Fire "public safety" eligibility: Retirement at age 55 or 50 with 25 years of service, early retirement with reduced benefits after 50 with less than 25 years of service.

The benefits provided in Oregon for general public employees are based on a 1.67 percent of average final salary per year of service, and 2.0 percent for legislators, police officers, and fire fighters. Local jurisdictions that provide equal or better benefits to their police and fire fighters than are provided by PERS may petition the PERS board for exemption from the system⁴.

Like Idaho, there are numerous categories of employees that are included in the definitions of police officer and fire fighter for retirement purposes that do not fit traditional notions of those jobs. The following table summarizes those additional kinds of employees included in the public safety categories:

Employees included under Oregon PERS police officer category	Employees included under the Oregon PERS fire fighter category
State police officers Liquor control enforcement officers County sheriffs and deputy sheriffs City police chiefs and police officers County parole and probation officers Director of the Dept. of Corrections Dept. of Corrections institutional employees Dept. of Corrections adult parole officers State Capitol police State building police Port of Portland airport police Dept. of Agriculture livestock police Board of pub. safety standards enforcement officers Dept. of Justice investigators Lottery Commission enforcement agents Portland public school police Certain youth correctional employees Juvenile parole officers	The State Fire Marshal Deputy state fire marshals Local government employees whose duties involve fire fighting State Forestry Department wildland fire fighters

⁴ Oregon Administrative Rules, 459-030-0001, 2002, Statutory Authority Oregon Revised Statute 237.

In addition to the benefits that the "public safety employees" share with police officers and fire fighters, the police and fire officers also have additional benefits. For example, police officers and fire fighters enjoy additional duty-caused disability benefits of 50 percent of final salary instead of the benefit from the PERS regular formula. In effect this creates at least three sets of benefits within Oregon PERS - general public employee, public safety, and police and fire benefits.

Nevada Public Employees Retirement System

The Nevada Public Employees Retirement System has almost 95,000 members and beneficiaries, and incorporates most state, city, county, and school employees. Within the Nevada PERS structure there are tiers of benefits for both general public employees and for police and fire members.

None of the members of the Nevada system participate in Social Security, which is unlike Washington where most of PERS and much of LEOFF contribute to Social Security. The higher levels of both contributions and benefits provided by Nevada PERS should be compared with the other plans described here with the Social Security difference in mind.

General public employees may be in a plan wholly funded by their employers, or funded equally by employers and employees. The total contribution currently being made is 18.75 percent of pay.

Nevada Public Employee Retirement Eligibility: Retirement at any age after 30 years of service, at age 60 or after 10 years of service, or at age 65 with 5 years of service. Early retirement is available after reaching service thresholds with a 4 percent per year reduction.

Nevada Police and Fire member Retirement eligibility: Retirement at age 50 with 20 years of service or 30 years of service at any age. Early retirement is available after reaching service thresholds with a 4 percent per year reduction.

There are also several types of optional benefit systems available with different contribution schemes available for police and fire employees. Local government employers typically make the entire contribution for member service, 28.5 percent of pay, and state employers and employees typically split the contribution, 14.25 percent of pay each.

Both the general public employees and the police and fire employees benefits are calculated on a 2.5 percent of average monthly compensation per year of service basis.

Nevada's police and fire membership has become more restrictive. Membership in the police and fire plan in Nevada is now crafted narrowly, including no members who are not full-time employees principally protecting the public and for "firemen" controlling and extinguishing fires or for "police officers" enforcing the laws of the state or subdivisions.

Prior to changes in the definitions made in 1977-1979 several non-police and fire groups, such as correctional officers whose duties do not require daily contact with prisoners, were included in the Nevada Police and Fire plan. Subsequent to the change however, not only were future employees in these categories excluded from participation, but employees with prior service in these categories lost eligibility if they ever left their previously Police and Fire covered positions.

Employees included under Nevada PERS police officer category	Employees included under the Nevada PERS fire fighter category
State and local full-time police officers working for participating employers	State and local full-time fire fighters working for participating employers
Former police officers promoted after 2 years of service to related supervisory position	Former fire fighters promoted after 2 years of service to related supervisory position
A police officer with 2 years qualified service who subsequently works in eligible position for an ineligible employer.	A fire fighter with 2 years qualified service who subsequently works in eligible position for an ineligible employer.

The Nevada PERS Board and staff analyze and determine whether a particular position meets the strict requirements for coverage in the police/fire fund. A threshold requirement for police is that the position must be deemed a "peace officer" in the Nevada Revised Statutes. Similarly for firefighters, the positions must have a statutory requirement of fire suppression training. If a position meets one of these thresholds, then a subsequent 100-point analysis is performed. If 75 points are awarded from the following criteria, then the position is recommended for inclusion:

Nevada Police Evaluation Criteria:

- Specialized requirements of law enforcement: (5 points each) duties of position require carrying a weapon, successful completion of peace officer training as a condition of employment, a physical agility exam at time of hire, an annual medical examination
- Physical agility demands of law enforcement necessary for protecting the public. (20 points)
- Public protection duties. (40 points)
- Emotional stability requirements associated with public protection role. (20 points)

Nevada Fire Fighter Evaluation Criteria:

- Specialized requirements of a fire fighter: (5 points each) EMT certification, successful completion of a fire suppression training course, a physical agility exam at time of hire, an annual medical examination.
- Physical agility demands of a fire fighter necessary for front line fire fighting. (20 points)
- Public protection duties. (40 points)
- Emotional stability requirements associated with public protection role. (20 points)

The criteria reflect findings by the Nevada PERS board that continued physical capacity, emotional capacity, and public perception of these capacities are significant factors favoring enhanced benefits for police and fire personnel. Positions determined not to meet the criteria upon examination are only reevaluated by the PERS Board and staff upon a showing by an employer or an employee that there has been a material change in job duties.

Iowa Public Employees' Retirement System, and the "protection occupation" category

The Iowa Public Employees' Retirement System (Iowa PERS) was established in 1953. It provides benefits to state and local government employees in three tiers, regular employees, protection occupation employees, and sheriffs and airport fire fighters. Separate to the members of the state plan, Iowa has provisions at the state and local level for police and fire employees through the Municipal Fire and Police Retirement System and the Peace Officers' Retirement System.

Iowa Regular Public Employee Retirement Eligibility: Retirement at 30 years of service for a 60 percent of final compensation benefit, 0.25 percent additional benefit each year after 30 years to a 65 percent maximum. Early retirement with a 6 percent per year reduction each year before normal retirement.

Iowa Protection Occupations Retirement Eligibility: Retirement based on a 24 years of service base for a 60 percent of final compensation benefit, 1 percent additional benefit each year after 24 years to a 66 percent maximum.

Iowa Sheriffs/Airport Fire Fighter Retirement Eligibility: Retirement based on a 22 years of service base for a 60 percent of final compensation benefit, 1.5 percent additional benefit each year after 22 years to a 72 percent maximum.

Members with service in more than one of the categories may use a "hybrid formula" to take all special and regular service into account in calculating their benefit. The number of years in each type of service is divided by the number of years required to retire in that system (30 for Regular, 22 for Sheriffs, 24 for Protection Occupations), and the results are then added to determine the amount of a full 60 percent benefit the member receives for retiring.

There are three categories of members within Iowa PERS, Regular, Sheriffs/Deputy Sheriffs/Airport Firefighters, and Protection Occupations members. In addition there are separate systems for municipal police and fire fighters.

Iowa Public Employees' Retirement System Contribution Rate in Effect June 30, 2001

Plan/Rate	Employee	Employer	Total
Regular PERS	3.70%	5.75%	9.45%
Sheriffs/Airport Fire	5.59%	8.39%	13.98%
Protection Occupations	5.90%	8.86%	14.76%

The Protection Occupation category is statutorily listed, and in Iowa PERS includes the following types of employees:

- City Marshals, Police or Firefighters in towns under 8,000 population
- State Conservation Peace Officers
- State Correctional Officers

- Airport Safety Officers
- Dept. of Transportation Peace Officers
- Fire Prevention Inspector Peace Officers

Arizona Public Employees', Public Safety, and Corrections Officers' Systems

The Arizona State Retirement System provides benefits for employees of the state government, universities, counties, cities and towns, as well as other public employers. In addition to the general retirement system, Arizona has a Public Safety Personnel Retirement System and a separate Corrections Officer Retirement Plan.

The Arizona Public Safety Personnel Retirement System was established to aggregate municipal fire and police, the Arizona highway patrol, and other disparate plans from throughout Arizona in 1968. Eligible members must be regularly assigned to hazardous duty, and currently include the broad array of following groups:

- Municipal police officers who are certified peace officers
- Municipal fire fighters
- Full-time paid fire fighters employed directly by a fire district
- Arizona Highway Patrol Officers who are certified peace officers
- State fire fighters
- County Sheriffs and deputies who are certified peace officers
- Fish and game wardens who are certified peace officers
- Airport police who are also certified peace officers and fire fighters
- University police who are certified peace officers
- Community college police who are certified peace officers
- Indian reservation police who are certified peace officers
- Indian reservation fire fighters
- Dept. of Administration police who are certified peace officers
- Dept. of Liquor Licenses and Control Investigators who are certified peace officers
- Dept. of Agriculture officers who are certified peace officers
- State Parks Board rangers and managers who are certified peace officers
- County park rangers who are certified peace officers

In addition to the Public Employee and Public Safety Plans, Arizona also has a separate service for Corrections Officers. The Arizona Corrections Officer Retirement plan provides benefits to all board designated full-time employees of participating employers - which can include both state and state subdivision corrections employers. Contributions by members are fixed at 8.5 percent of pay, and employers contribute an additional amount as actuarially necessary to fund benefits and accrued liability but in no event less than 2 percent of pay.

Contributions to the Arizona Public Safety Plan by members are statutorily set at 7.65 percent of pay and employers contribute an additional amount each year as actuarially necessary to fund the normal cost of benefits earned and to fund any accrued liability. Each employer may pay a different rate on the basis of the valuation of their actuarial experience.

The Arizona Public Employee plan provides for employee contributions of during the 2001 and 2002 fiscal years is 2.49% and the employers are contribute an equal amount.

Arizona Public Employee Retirement Eligibility: Full retirement at age 65, age 62 with 10 years of service, or under a rule of 80. The COLA, called the Excess Earnings permanent benefit increase, is similar to the Washington plan 1 Uniform COLA. Early retirement with reductions beginning at age 50 with five or more years of service.

Arizona Corrections Officer Retirement Eligibility: Full retirement at age 62 with 10 or more years of service, at 20 years of service (25 years for dispatchers), or upon satisfying a rule of 80. Full retirement entitles a member to fifty percent of final average salary, increased or decreased if the member has more or less than 20 years of service.

Arizona Public Safety Personnel Eligibility: Full retirement at age 62 with 15 years of service or upon completion of 20 years of service. Full retirement benefit is 50 percent of average final salary, less 4 percent for each year under twenty years of service or increased 2 percent for each year beyond 20 to a maximum of 80 percent.

6. Two Possible Approaches: Rule of 90 and Service Credit Purchase

The following two benefit concepts have in them the underlying premises:

- The benefits are paid for entirely by the eligible member/employees.
- The benefits are prospective-only in application.

The first of these premises, that the member pay for the benefit in its entirety, is unlike the existing cost-sharing principle that is part of the PERS plans 2/3. It also means that there would be no additional cost for retirement benefits to employers regardless of the participation of their members in the conceptual public safety benefit.

The second premise, that either concept be prospective-only, means that there be no mechanism to "convert" past service from non-public safety to public safety qualified. In the case of the first concept, the Rule of 90 approach, this prospective-only approach means that service earned prior to the implementation of the new benefit will not be creditable as public safety service towards the Rule. Under the second concept, improved Early Retirement Reduction Factor (ERRF)-eligibility purchase, retroactivity is not necessarily an issue however as the availability may be conditioned on several different factors independent of service such as sufficient accumulation of defined contributions to purchase the improved ERRF-eligibility at a certain age.

1. *Rule of 90, employee contribution only.*

Full retirement eligibility in PERS plan 2/3 is generally unrelated to the members length of service, though the level of benefits, early retirement eligibility, and particularly the accessibility of the current improved ERRF is length of service related. This is in contrast with plans such as PERS plan 1 which has age and service eligibility formulas such as retirement with 30 years of service at any age, or at age 55 with 25 years of service.

A "Rule of 90" retirement eligibility formula for public safety members would permit members with a combination of age and years of service totaling 90 to retire with an unreduced benefit. An employee 60 years old with 30 years of service would meet a Rule of 90, as would an employee aged 55 with 35 years of service.

On a purely prospective service credit basis, a member would likely base their benefit on years of service earned in a public safety qualified position only. While a multiple plan benefit approach as exists in the portability statutes (Chapter 41.54 RCW) might be employed for careers of mixed service, it is unclear how years of service would be mixed to satisfy a Rule approach that requires years of service in one plan.

For example, under current law a member with service in both LEOFF plan 2 and PERS plan 2 may use the salary from one position for the calculation of the benefits from both, but each benefit is still only available unreduced from that plan's retirement age. If such a member retired at the LEOFF plan 2 normal retirement age and elects to begin receiving their PERS plan 2 benefit at the same time, their PERS plan 2 benefit will be actuarially reduced from age 65 to age 53.

This portability approach suggests that the benefit taken at satisfaction of the Rule of 90 earned from service in PERS prior to the creation of the public safety category would be reduced from age 65 to the age that the member attains the Rule of 90.

Rule of 90 Examples:

<u>Group</u>	<u>Additional Rate for Future Service</u>
Average Age 40/Average Service 12	1.1%
Average Age 50/Average Service 20	0.8%
Average Age 40/Average Service 20	2.4%

2. *Service credit purchase for ERRF eligibility.*

Currently, members of PERS plan 2/3 may be eligible for a reduced early retirement benefit beginning at age 55. If a member has earned 30 years of service or more, they qualify for an ERRF of 3 percent per year between their age and the full PERS plan 2/3 retirement age of 65. This 3 percent per year reduction is a much smaller per year reduction that retirees with less than 30 years must take to early retire - those shorter service early retirees face a full actuarial rate of reduction that could average about 8 percent per year, depending on the total number of years.

The 3 percent per year ERRF is also similar in amount per year to the annual increase in retirement allowance that members in PERS plan 2/3 each year after they retire.

Members could "purchase" eligibility for the PERS plan 2/3 ERRF after earning 20 years of service with a sufficient accumulation of contributions in an eligible account. Members, for example, who could never reach 30 years of service and eligibility for the existing ERRF prior to age 65 could gain thus access this benefit. Alternately, the member could purchase eligibility for an unreduced retirement allowance to begin as early as age 55, the PERS plan 2/3 early retirement age.

In each example below, an 8% rate of return and a salary growth rate of 4.5% is applied to the contributions made over the individual's career.

Service Credit Purchase Examples: (\$50,000 salary)

	<u>3% ERRF</u>	<u>Unreduced Benefit</u>
Sample individual #1		
Age 55, 20 years of service		
Lump sum cost	\$ 86,200	\$ 165,000
Rate required over 20 years	5.96%	11.44%
Sample individual #2		
Age 60, 25 years of service		
Lump sum cost	\$ 75,400	\$ 120,400
Rate required over 25 years	3.80%	6.07%

Appendix 1
Law Enforcement Office, Plan 2

Criterion	Definition
Employer	Any city, town, county, district, or general authority law enforcement agency.
Employment	<ol style="list-style-type: none"> 1. Commissioned and employed by an employer in a full time, fully compensated basis to enforce the criminal laws of the state of Washington generally; or 2. Public safety officer or director of public safety in a town having a population of less than 10,000.
Qualifications	<ol style="list-style-type: none"> 1. Classified deputy sheriffs must pass civil service examination; 2. Other than elected sheriff or appointed police chief, meet specified medical and health standards and 3. Completion of Criminal Justice Training Commission basic training.

Appendix 2
Fire Fighter Plan 2

Criterion	Definition
Employer	Any city, town, county, district or university.
Employment	<ol style="list-style-type: none">1. Serving on a full time, fully compensated basis as a member of fire fighter for an employer and is actively employed as such;2. Supervisory fire fighter personnel; or3. Full time executive secretary of an association of fire protection districts.
Qualifications	<ol style="list-style-type: none">1. Where required, pass civil service examination for fire fighter; and2. Meet specified medical and health standards.

Appendix 3
Groups Requesting LEOFF Membership

Potential Member Employment	Employer	Employment	Required Training¹
Public EMTs	Yes	No	N/A ²
County Corrections	Yes	No	No
County PUD Line Workers	No	No	No
Liquor Control Enforcement	No	No	No
Gambling Commission Enforcement	No	No	No
State Park Rangers	No	No	No
Department of Corrections	No	No	No
Fish and Wildlife Enforcement	Yes ³	Yes ³	Yes
WPPSS Security	No	No	No
Public Safety Officers	Yes	No	Yes
Community Correction	No	No	No
Bellingham Port Fire Fighters	No	No	N/A ²

¹ General law enforcement training by the Criminal Justice Training Commission.

² Requesting membership as firefighters.

³ Changed as a result of 2002 Legislature's adoption of SB 6067.

Appendix 4
Retroactive Transfer from PERS 2 to LEOFF Plan 2

Potential Member Employment	Plan 2 Member	Employer One Time Cost*	Ongoing Additional GFS LEOFF Cost**
County Corrections	2,500	198,250,000	4,865,000
County PUD Line Workers	385	30,531,000	749,000
Liquor Control Enforcement	70	5,551,000	136,000
Gambling Commission Enforcement	78	6,185,000	152,000
State Park Ranger (permanent)	166	13,164,000	232,000
State Corrections	3,002	238,059,000	5,842,000
Fish and Wildlife Enforcement	56	43,456,000	1,066,000
Community Correction	548	43,456,000	1,066,000
TOTALS	6,805	539,637,000	13,242,000

* We have based costs on an assumed average of \$54,059 and age 42 and 13 years of service.

** Represents the 2001 state portion of the LEOFF plan 2 contribution rate, 1.8% for the biennium.

Appendix 5

Explanation of categories of employees used in Labor and Industries claims charts

STATE LOTTERY OFFICERS

Classification: 710305
WAC: 296-17-756

Applies to employees of the lottery commission, including administrative employees, who have law enforcement powers such as, but not limited to, authority to arrest or to preserve order.

This classification excludes any lottery commission employees who do not have law enforcement powers who are to be reported separately in the classification applicable to work performed.

COUNTIES - PROF AND CLERICAL

Classification: 530607
WAC: 296-17-679

Applies to clerical office, administrative employees, and elected officials of counties, public utility districts and taxing districts, not otherwise classified (N.O.C.). Clerical duties include, but are not limited to, answering telephones, handling correspondence, computer work, and maintaining financial, personnel and payroll records. A clerical office is a work area which is physically separated from all other work areas by walls, partitions or other physical barriers. Administrative duties may be conducted in or out of the county, public utility district or taxing district facilities, but are conducted in an atmosphere free from the operative hazards of work environments such as, but not limited to, jails, law enforcement and road works. In addition to management activities, this **classification** also includes field auditors, social workers, alcohol and drug abuse programs, senior health and nutrition programs, medical and dental clinics or similar activities professionals would perform.

CITIES - CLERICAL

Classification: 530506
WAC: 296-17-678

Applies to clerical office, administrative employees, and elected officials of cities and towns. Clerical duties include, but are not limited to, answering telephones, handling correspondence, computer work, and maintaining financial, personnel and payroll records. A clerical office is a work area which is physically separated from all other work areas by walls, partitions or other physical barriers. Administrative duties may be conducted in or out of the city or town facilities, but are conducted in an atmosphere free from the operative hazards of the work environments such as, but not limited to, jails, law enforcement and road works. In addition to management activities, this **classification** also includes field auditors, social workers or similar activities professionals would perform.

HOUSING AUTH. CLERICAL

Classification: 530626
WAC: 296-17-678

Applies to clerical office and administrative employees of local public housing authorities. Clerical duties include, but are not limited to, answering telephones, handling correspondence, computer work, and maintaining financial, personnel and payroll records. A clerical office is a work area which is physically separated from all

STATE PROF. AND CLERICAL

Classification: 490200
WAC: 296-17-651

other work areas by walls, partitions or other physical barriers. Administrative duties may be conducted in or out of the housing authority facilities, but are conducted in an atmosphere free from the operative hazards of work environments such as, but not limited to, jails, law enforcement and road works. In addition to management activities, this **classification** also includes field auditors, social workers or similar activities professionals would perform.

Applies to those state employees who are assigned to work in an administrative capacity, a clerical office, or in public relations or sales work. For the purposes of this **classification**, field exposure is to the normal travel to a work assignment such as a field auditor or social worker would encounter. This **classification** includes all departments, agencies, boards, commissions, committees and elected officials of all branches of state government. This **classification** excludes employees with field exposure other than that described above, employees with law enforcement powers, and employees who provide patient health care.

PUB. INSTIT. OF HIGHER ED.

Classification: 490601
WAC: 296-17-655

Applies to public institutions of higher education such as universities, colleges, and junior colleges that have obtained state accreditation and are supported at least in part by public funds. Work contemplated by this **classification** includes, but is not limited to, administrative staff, professors/teachers, advisors, librarians, athletic coaches, medical staff at a hospital or research center run as part of the institution, restaurant/snack shop staff, campus security, janitorial/maintenance staff, clerical office and sales personnel.

STATE "LIMITED" LAW ENF. OFFICERS

Classification: 710300
WAC: 296-17-756

Applies to any state employees, including administrative employees, who have law enforcement powers such as, but not limited to, authority to arrest or to preserve order, and who are not covered by another classification (N.O.C.). State agencies assigned this classification include, but are not limited to, department of agriculture, department of natural resources, utility and transportation commission, Washington state gambling commission, Washington state liquor control board, and the Washington state parks and recreation commission.

WELFARE SPECIAL WORKS PROGRAM

Classification: 650500
WAC: WAC 296-17-718

Applies to certain "employees" of nonprofit establishments engaged in finding work experience for individuals who are in need of job training or skill enhancement to make them employable or more competitive in the job market. Establishments that qualify for this **classification** will solicit the participation of other businesses by offering the services of one of these individuals cost-free for a limited length of time, usually less than six months. During that period the business person who has agreed to participate will supply the

AIRPORT OPERATIONS

Classification: 680400
WAC: WAC 296-17-744

opportunity for work experience and the supervision of the work being performed while wages will be paid by the sponsoring organization.... security department, and nonprofit job counselors are typical sponsors of these programs. Work contemplated by this **classification** may be found in any type of work environment.

Applies to establishments engaged in operating airports. This **classification** includes work such as, but not limited to, control tower operations, information clerks located at the airport, baggage handlers who load/unload planes, maintenance and janitorial personnel, porters (skycaps), security personnel, fuel attendants and fire department personnel. This **classification** excludes clerical personnel and ticket sellers with no other duties...

COUNTIES - LAW ENF. OFFICERS

Classification: 690501
WAC: WAC 296-17-750

Applies to salaried law enforcement officers of counties and taxing districts and to volunteer law enforcement officers of counties and taxing districts who are not otherwise classified (N.O.C.) for whom full coverage is elected. Duties of law enforcement officers include, but are not limited to, directing traffic, patrolling by motor vehicle, motorcycle, bicycle, or on foot or horseback, preventing crimes, investigating disturbances of the peace, arresting violators, conducting criminal investigations, giving first aid, and guarding persons detained at the police station.

CITIES - SALARIED FIREFIGHTERS

Classification: 690400
WAC: WAC 296-17-749

Applies to salaried fire fighters of cities and towns. Fire fighters respond to fire alarms and other emergencies, control and extinguish fires, protect lives and property, and maintain fire fighting equipment, administer first aid and artificial respiration to injured persons and those overcome by fire and smoke. They may inspect buildings for fire hazards and compliance with fire prevention ordinances and may issue citations to building owners listing the fire regulation violations to be corrected. This classification includes paramedics employed by fire departments.

CITIES - LAW ENF. OFFICERS

Classification: 690500
WAC: WAC 296-17-750

Applies to salaried law enforcement officers of cities and towns and to volunteer law enforcement officers of cities and towns who are not otherwise classified (N.O.C.) for whom full coverage is elected. Duties of law enforcement officers include, but are not limited to, directing traffic, patrolling by motor vehicle, motorcycle, bicycle, or on foot or horseback, preventing crimes, investigating disturbances of the peace, arresting violators, conducting criminal investigations, giving first aid, and guarding persons detained at the police station.

COUNTIES - ALL N.O.C.

Classification: 150100
WAC: WAC 296-17-545

Applies to employees of counties and taxing districts, not covered by another **classification** (N.O.C.), who perform manual labor, or who supervise a work crew performing manual labor such as custodial or maintenance, and

STATE, N.O.C.

Classification: 530700
WAC: 296-17-67901

machinery or equipment operators including transit bus drivers. This **classification** includes administrative personnel such as engineers, safety inspectors, and biologists who have field exposure, and internal inventory and supply clerks.

Applies to state government employees not covered by another **classification** (N.O.C.) who perform manual labor, or who supervise a work crew performing manual labor such as custodial or maintenance, construction, or the operation of machinery or equipment. This **classification** includes administrative personnel such as engineers, safety inspectors, and biologists, who have field exposure, and store and stock clerks. For the purposes of this **classification** field exposure is defined as any exposure other than the normal travel to a work assignment, such as a field auditor or social worker would encounter. This **classification** includes all departments, agencies, boards, commissions and committees of either the executive, legislative or judicial branches of state government.

COUNTIES - SALARIED FIREFIGHTERS

Classification: 690401
WAC: WAC 296-17-749

Applies to salaried fire fighters of counties and taxing districts. Fire fighters respond to fire alarms and other emergencies, control and extinguish fires, protect lives and property, and maintain fire fighting equipment, administer first aid and artificial respiration to injured persons and those overcome by fire and smoke. They may inspect buildings for fire hazards and compliance with fire prevention ordinances and may issue citations to building owners listing the fire regulation violations to be corrected. This classification includes paramedics employed by fire departments.

STATE - STATE PATROL

Classification: 710301
WAC: 296-17-756

Applies to employees of the Washington state patrol, including administrative employees, who have law enforcement powers such as, but not limited to, authority to arrest or to preserve order.

This classification excludes any state patrol employees who do not have law enforcement powers who are to be reported separately in the classification applicable to work performed.

CITIES - ALL N.O.C.

Classification: 080300
WAC: 296-17-529

Applies to employees of cities or towns who perform manual labor, or who supervise a work crew performing manual labor such as custodial or maintenance, and machinery or equipment operators including transit bus drivers. This **classification** includes administrative personnel such as engineers, safety inspectors, and biologists, who have field exposure, and also includes store and stock clerks.

PORT DISTRICTS

Classification: 420102
WAC: WAC 296-17-629

Applies to the operation of port districts by a municipality. Port districts have separate taxing authority and although they may receive tax dollars from levies most of their operating costs are funded through rental and use fees on the property and facilities they operate. Port districts are authorized by state law for the purpose of acquiring, developing, maintaining and operating various

STATE CORRECTIONAL OFFICERS

Classification: 710303
WAC: 296-17-756

ELECTRIC AND P.U.D.

Classification: 130102
WAC: WAC 296-17-539

STATE FISH & WILDLIFE OFFICERS

Classification: 710306
WAC: 296-17-756

LONGSHORING AND STEVEDORING

Classification: 420100
WAC: WAC 296-17-629

HOUSING AUTHORITY, ALL N.O.C.

Classification: 150101
WAC: WAC 296-17-545

transportation-related properties and facilities. In addition to marine and airports, the district may also develop and maintain facilities used for the transfer, handling, storage and terminal operations of commercial enterprises. This **classification** includes sales personnel and any stevedoring operations conducted by port district employees.

Applies to employees of the department of corrections, including administrative employees, who have law enforcement powers such as, but not limited to, authority to arrest or to preserve order.

This classification excludes any department of corrections employees who do not have law enforcement powers who are to be reported separately in the classification applicable to work performed.

Work contemplated by this **classification** includes the regular installation, maintenance and repair of power plant machinery and equipment, the extension and maintenance of lines (including poles, towers and underground lines), the installation and maintenance of circuit breakers and transformers on poles, pole-to-house hook-ups (service connections), meter installation and meter readers when done by employees of an employer having operations subject to this **classification**.

Applies to employees of the department of fish and wildlife, including administrative employees, who have law enforcement powers such as, but not limited to, authority to arrest or to preserve order.

This classification excludes any department of fish and wildlife employees who do not have law enforcement powers who are to be reported separately in the classification applicable to work performed.

Applies to establishments engaged in longshoring (stevedoring) operations which involve the transfer, loading, and unloading of ships' cargo and storage of such on docks or in nearby warehouses. This **classification** includes stevedoring by hand or hand truck and containerized stevedoring which involves the use of a cross deck crane for lifting the trailer body container onto or off of the ships deck or hold. This **classification** also includes wharf and pier operations, coal dock operations, cargo checkers, tallymen and the repackaging or mending of damaged containers in connection with stevedoring activities.

Applies to employees of housing authorities, not covered by another **classification**, who perform manual labor, or who supervise a work crew performing manual labor such as custodial or maintenance, and machinery or equipment operators. This **classification** includes all functional operations of a housing authority such as inspection, maintenance and repairs, including minor structural repairs, janitorial service, and building and

STATE GOVERNMENT: HEALTH CARE FACILITIES

Classification: 720100
WAC: 296-17-763

grounds maintenance. Also included in this **classification** are meter readers, security personnel, other than those with law enforcement powers, administrative personnel such as engineers and safety inspectors who have field exposure, and internal inventory and supply clerks.

Applies to state employees who provide any type of patient or health care at state-operated facilities or at health care facilities in state schools or correctional institutions. Type of employment contemplated by this classification includes, but is not limited to, traveling nurses, therapists, and physicians.

This classification excludes any state employees who do not provide patient or health care who are to be reported separately in the classification applicable to work performed.

TRS 1 Part-Time Educational Staff Associates

TRS 1 statutes allow less-than-full-time teachers, librarians, and counselors to annualize their salaries upon retirement so as to receive proportionate retirement benefits. Counselors are the one category of Certified Educational Staff Associates (ESAs) that are currently treated consistently with teachers. All other categories of Certified ESAs are not allowed to annualize their salaries for retirement benefit purposes if they earn less than a full year of service credit.

RCW 41.32.010(10)(a)(iii)

For members employed less than full time under written contract with a school district, or community college district, in an instructional position, for which the member receives service credit of less than one year in all of the years used to determine the earnable compensation used for computing benefits due under RCW 41.32.497, 41.32.498, and 41.32.520, the member may elect to have earnable compensation defined as provided in RCW 41.32.345. For the purposes of this subsection, the term "instructional position" means a position in which more than seventy-five percent of the member's time is spent as a classroom instructor (including office hours), a librarian, or a counselor. Earnable compensation shall be so defined only for the purpose of the calculation of retirement benefits and only as necessary to insure that members who receive fractional service credit under RCW 41.32.270 receive benefits proportional to those received by members who have received full-time service credit.

Were an ESA to work half time for 30 years, and they were not a counselor, their retirement benefit would be half that of a half-time Counselor despite making the same salary and contributions.

	Full Time ESA	½ Time Counselor	½ Time Nurse
Salary	\$50,000	\$25,000	\$25,000
Annual Contributions	\$3,000	\$1,500	\$1,500
Retirement Benefit	\$30,000	\$15,000	\$7,500

Occupations

There are 7 Educational Staff Associate positions employed by schools districts: School Counselor, Psychologist, Social Worker, Nurse, Physical Therapist, Occupational Therapist, and Speech Language Pathologist or Audiologist. Similar to teachers, those engaged in these activities must be certified.

Education /Certification

According to the Superintendent of Public Instruction, the educational standards and certification course for these positions may be more rigorous than that of teachers. Counselors, psychologists, social workers, and speech language athologist/audiologists

all require a Master's degree plus passage of a state approved 30 hour certification course. Occupational therapists, physical therapists, and nurses require a Bachelor's degree plus the same 30 hour certification course.

Requirements

The Legislative Evaluation and Accountability Program (LEAP) quantifies the education and training requirements for these positions in what is called a ***mix factor***. A position with a mix factor of 1 requires a Bachelor's degree and no experience. In the latest School District Personnel Summary Profiles for the 2002-2003 school year, the mix factors for ESAs averaged 1.67 while the mix factor for teachers averaged 1.58 (see attached table, duty codes 42-48).

Numbers

As of the 2002-2003 school year, there were 5,444 individuals filling 4,656 full-time-equivalent (FTE) ESA positions. So it appears that these groups do have a significant portion that work less than full-time. The Professional Educators Standards Board estimates that about 600 ESAs would be affected by a change in statute. Considering the difference in individual counts and FTE counts, this would appear a reasonable estimate.

Washington State Superintendent of Public Instruction
School Apportionment and Financial Services
School District Personnel Summary Profiles - 2002-03 - Preliminary

Table 7: All School Personnel by Duty

Duty Assignment	Individuals	Average	Total FTE	Average	Annualized			
		Additional Salary		LEAP 1S Mix Factor	Base Salary	Insur. Ben.	Days in 1 FTE	Total Salary
11 Superintendent	279	1,897	248.60	1.85873	99,486	7,942	247.2	104,934
12 Deputy/Assist. Supt.	159	3,143	133.83	1.82309	100,090	6,572	247.1	104,017
13 Other District Admin.	1,032	1,502	773.04	1.83589	82,096	6,023	238.4	83,539
21 Elementary Principal	1,171	1,280	1,089.42	1.84575	81,834	6,236	235.2	83,007
22 Elem. Vice Principal	170	1,393	135.69	1.70644	71,067	5,945	224.3	71,895
23 Secondary Principal	653	1,206	587.95	1.81072	85,120	6,416	233.9	86,471
24 Secondary Vice Principal	775	1,137	729.59	1.72918	78,693	6,167	233.4	79,391
25 Other School Admin.	394	1,972	179.57	1.78010	67,545	6,120	214.8	71,031
31 Elementary Teacher	31,548	2,546	26,659.41	1.58080	44,899	5,425	182.4	48,079
32 Secondary Teacher	26,298	3,424	21,405.29	1.58441	45,050	5,475	182.4	49,821
33 Other Teacher	7,416	3,051	4,794.45	1.57897	44,834	5,416	182.5	48,909
40 Other Support Personnel	3,340	2,470	694.12	1.76252	50,179	5,423	183.0	57,357
41 Library Media Specialist	1,457	3,892	1,320.33	1.78967	50,763	5,507	182.5	55,637
42 Counselor	2,231	4,278	1,972.29	1.71829	48,744	5,452	182.5	54,300
43 Occupational Therapist	379	3,208	312.96	1.51098	43,689	5,527	182.4	47,658
44 Social Worker	139	3,016	105.27	1.68313	48,131	5,525	182.3	52,354
45 Spch.-Lang. Path./Audio.	1,095	3,107	939.21	1.67035	47,560	5,401	182.4	51,353
46 Psychologist	936	4,472	803.82	1.74670	49,759	5,502	182.5	55,257
47 Nurse	512	2,889	409.02	1.45143	42,305	5,168	182.4	46,057
48 Physical Therapist	152	3,484	113.78	1.56653	45,512	5,503	182.3	49,975
49 Reading Resource Spec.	20	871	11.35	1.88302	55,368	5,498	184.3	60,074
51 Extracurricular	1,101	2,940	98.69	1.79853	60,239	5,894	196.6	67,766
52 Substitute Teacher	52	1,719	29.88	1.40416	37,767	5,501	182.2	42,261
61 Certificated on Leave	497	1,360	53.71	1.79567	50,561	5,612	182.3	56,785
63 Contractor Teacher	110	0	98.07	1.47915	43,260	2,136	182.1	32,396
64 Contractor ESA	10	0	7.45	1.57124	46,951	2,190	182.4	46,052
90 Classified on Leave	199	1,025	4.35	0.00000	47,231	3,957	260.0	53,729
91 Aides	22,820	54	12,082.67	0.00333	26,744	7,055	260.0	27,008
92 Crafts/Trades	1,677	70	1,599.81	0.00084	40,215	5,940	260.0	40,217
93 Laborers	197	48	167.67	0.00000	33,051	5,783	260.0	33,183
94 Office/Clerical	9,629	80	7,374.77	0.00070	32,361	6,320	260.0	32,477
95 Operators	5,939	31	3,103.72	0.00009	32,320	7,110	260.0	32,290
96 Professional	12,733	2,232	1,135.85	0.00643	44,771	6,413	260.0	45,385
97 Service Workers	11,301	45	8,035.18	0.00017	29,193	5,991	260.0	29,225
98 Technical	1,612	216	1,273.63	0.00461	41,748	6,034	260.0	42,076
99 Director/Supervisor	1,415	645	1,234.24	0.01105	60,671	6,150	260.0	61,649
State Summary	149,448	1,814	99,718.66	1.02871	41,926	5,867	212.5	44,469

See introduction for explanation of column headings, glossary for explanation of terms, and appendix for explanation of duty codes.